

The original documents are located in Box 30, folder “8/9/75 HR8714 Increases in Railroad Unemployment and Sickness Benefits” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED
AUG 9 - 1975

THE WHITE HOUSE
WASHINGTON

ACTION

Last Day: August 13

August 8, 1975

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *[Signature]*
SUBJECT: H.R. 8714 - Increases in Railroad
Unemployment and Sickness Benefits

Attached for your consideration is H.R. 8714, sponsored by Representative Staggers, which:

- Increases unemployment and sickness benefits paid under the Railroad Unemployment Insurance Act;
- raises the rate of contributions paid by covered employers;
- provides extended unemployment benefits for railroad employees with less than 10 years' service; and
- makes other changes in the Act as well as various technical changes in the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act.

A detailed summary of the provisions of the bill and agency comments are provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Bill Seidman, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 8714 at Tab B.



APPROVED
AUG 9 - 1975



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 7 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8714 - Increases in railroad
unemployment and sickness benefits
Sponsor - Rep. Staggers (D) West Virginia

Last Day for Action

August 13, 1975 - Wednesday

Purpose

Increases unemployment and sickness benefits paid under the Railroad Unemployment Insurance Act; raises the rate of contributions paid by covered employers; provides extended unemployment benefits for railroad employees with less than 10 years' service; and makes other changes in the Act as well as various technical changes in the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act.

Agency Recommendations

Office of Management and Budget	Approval
Railroad Retirement Board	Approval
Department of Transportation	Approval
Council of Economic Advisers	Approval
Council on Wage and Price Stability staff	Approval
Department of the Treasury	No objection
Department of Labor	Would not oppose approval

Discussion

Title I of H.R. 8714 would raise benefits and tax rates under the Railroad Unemployment Insurance Act, which was last updated in 1968. That Act, which was enacted in 1938, provides for unemployment and sickness benefits for railroad employees financed by their employers, totally separate from the regular unemployment insurance system. Through the years, the

Railroad Unemployment Insurance Act has been amended periodically to reflect negotiated agreements between railroad industry labor and management. In accordance with that tradition, Title I of the enrolled bill would enact benefit and tax increases and other changes recently agreed upon in industry-wide collective bargaining.

In reports to the Congress on earlier versions of Title I, Executive Branch agencies indicated two general concerns. First, Labor expressed the view that changes in the unemployment compensation system for the railroad industry should be considered in coordination with possible permanent changes for the entire unemployment compensation system. Second, Treasury and OMB expressed concern that the increased benefits be adequately financed within the system.

With regard to the first concern, the Administration's proposed legislation to revise the regular unemployment insurance system, submitted to the Congress last month, includes establishment of a National Commission on Unemployment Insurance to study necessary further changes in the system. Should that proposal be adopted, the Commission would be charged with considering railroad unemployment insurance along with the regular State-Federal program. Nevertheless, Labor notes in its attached views letter that the enrolled bill "may make some substantive changes more difficult to achieve."

Senator Javits responded to the second concern on the Senate floor by stating that "Congress will have ample opportunity to revise the funding mechanism of the Act at any time such revisions might be required. This, of course, would be the appropriate course to take in the event of a long-term insufficiency in the program's funding." Treasury believes that the bill provides increased contributions sufficient to insure adequate funding for the new benefit levels.

Title II of the enrolled bill would make various technical amendments and corrections to the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act. Many of these revisions were proposed by the Railroad Retirement Board (RRB) in a draft bill cleared by OMB early this year.

Description of the bill

A detailed description of the provisions of the enrolled bill is contained in the attached RRB views letter. The following summarizes the major provisions.

Maximum benefit level--The bill would, retroactive to July 1, 1975, increase the maximum daily rate of unemployment and sickness benefits from the present \$12.70 to the lesser of \$24 or 60% of the beneficiary's last daily rate of pay (but not less than \$12.70). As of July 1, 1976, the maximum daily rate would be set at \$25.

A maximum daily benefit rate of \$24 would represent approximately 48% of the average earnings of all railroad employees. By comparison, the Administration's legislative proposal for changes in the regular unemployment compensation system calls for a maximum benefit of 66-2/3% of a State's average weekly wage, which would enable most workers to receive about 50% of their wage in unemployment benefits. Compared with current unemployment compensation levels in the State-Federal system, however, the enrolled bill would place railroad workers receiving the maximum benefit rate in the upper end of the spectrum of State maximum benefit rates paid.

Extended benefits--The bill would provide for extended unemployment benefits of 13 weeks for railroad employees with less than 10 years of service, beyond the regular 26-week benefit period. Extended benefits are currently available only for employees with 10 or more years of service. The new extended benefits for those with less than 10 years service would be somewhat less generous than those available to longer-term employees and would be triggered on only during periods of "high unemployment" in the railroad industry patterned after the triggers provided under the Federal-State Extended Unemployment Compensation Program.

Benefits during strikes--Under present law, a railroad employee who engages in a strike, other than an illegal strike, is eligible for unemployment benefits after 4 days of unemployment--i.e., on the same basis as an employee who is unemployed for some other reason. H.R. 8714 would extend that waiting period to 7 days in the case of a railroad worker who is unemployed because of a strike.

Other eligibility conditions--The enrolled bill would reduce from 7 days to 4 consecutive days the waiting period before sickness benefits are paid and from 7 months to 5 months the period of service before new railroad employees are eligible for unemployment and sickness benefits.

Financing--To pay for the increased benefits, the enrolled bill would increase the schedule of employer contribution rates to the railroad unemployment insurance account. These rates are on a sliding scale depending on the balance in the account. At present, they range from 4% of taxable payrolls when the balance in the account is less than \$300 million to 1-1/2% when the balance is \$450 million or more. Under H.R. 8714, the contribution rates would range from 8% when the account balance is less than \$50 million to 1/2% when it is \$300 million or more.

Cost Impact of H.R. 8714

Using certain assumptions spelled out in its attached views letter, the Railroad Retirement Board (RRB) estimates that unemployment and sickness benefits under Title I of the enrolled bill would cost an average of \$176.9 million per year over fiscal years 1976-1980 (using July 1 - June 30 data). This would be \$90.3 million higher than the average annual cost of present benefits projected over the same 5-year period.

The average annual cost under H.R. 8714 would represent 6.8% of taxable payroll based on the present \$400 monthly taxable limit. Administrative expenses of the program are estimated at about 0.3% of taxable payroll. The total cost per year therefore would be about 7.1% of the taxable payroll. Since the maximum taxable rate is only 8%, a margin of less than 1% would be provided for annual benefit payments.

RRB further estimates that the new tax rates would provide an average reserve balance in the railroad unemployment insurance account of between \$50 and \$60 million between now and 1980. This represents less than 4 months of estimated benefits.

In a report to the Senate Labor and Public Welfare Committee on this legislation, the Chairman of the RRB urged the Congress to consider the adequacy of the benefit and reserve margins before taking action on the bill. In the attached views letter, he states that the bill's financing "should be sufficient although the safety margins are not great...." He also indicates that the Railroad Unemployment Insurance Act provides authority for borrowing from the Railroad Retirement Account, "so that any shortage would not be financed out of general funds."

Recommendations

RRB's Chairman recommends approval, as do the Labor and Carrier members of the Board. The latter two members indicate that the bill has the support of both railroad labor and management, and that it "would provide a needed increase in benefit rates which have not been changed since 1968 despite the increase in the cost of living in the last seven years." The Labor and Carrier members believe the bill's financing provisions are adequate, but state "If for any reason the tax schedule becomes inadequate, the Board would, of course, support corrective legislation."

DOT also recommends approval. The Department expresses concern about the increased costs which will be imposed on the financially depressed railroad industry, but recognizes the need to increase employees' unemployment and sickness benefits. The Department notes that the benefit levels fall within the range of unemployment insurance benefits that are provided by the major industrial States and represent a compromise agreed to by labor and management.

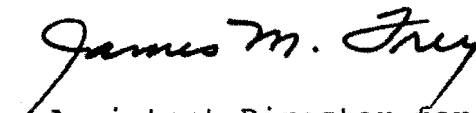
Treasury indicates no objection to a recommendation of approval. The Department defers to other agencies as to the need for the benefit increases, but believes that the bill provides sufficient increases in contributions to insure adequate funding for the new benefit levels.

Labor, as indicated above, is concerned that "changes in the unemployment compensation system for one industry should be considered in coordination with possible permanent changes now under consideration for the entire unemployment compensation system. While this enrolled bill does not preclude that approach, we do recognize that it may make some substantive changes more difficult to achieve."

The Department's letter states, however, that "...in view of the fact that this enrolled bill embodies the provisions of an agreement between labor and management representatives in the railroad industry and it does make certain improvements in the railroad unemployment compensation system, we would not oppose the President's signing of the bill. We further believe that even if the bill were vetoed, such a veto would be overridden."

* * * * *

We share the concerns expressed by the Labor Department about the need for closer coordination between the railroad unemployment insurance system and the general State-Federal system. Moreover, while the enrolled bill appears to be self-financing, the margin is obviously thin, based on RRB estimates. However, since the bill follows the customary pattern of legislating negotiated agreements and in light of the commitment to non-Federal financing from the RRB and in the legislative history on the Senate floor, we recommend approval.


Assistant Director for
Legislative Reference

Enclosures

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 RUSH STREET
CHICAGO, ILLINOIS 60611

August 1, 1975

JAMES L. COWEN
CHAIRMAN
NEIL P. SPEIRS
WYTHE D. QUARLES, JR.

Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Frey:

This is the report of the Railroad Retirement Board on the enrolled bill H.R. 8714.

The bill contains two titles, the first of which would amend the Railroad Unemployment Insurance Act to raise the rate of sickness and unemployment benefits paid thereunder, to increase the rate of contributions paid by covered employers, to provide for an extended period during which unemployment benefits can be paid to employees with less than 10 years of creditable service who have exhausted their eligibility for normal benefits, to make certain changes in provisions of the Act regarding the payment of benefits for days of sickness and days of unemployment caused by strikes, and to make certain other changes in the Act. The second title of the bill would amend the Railroad Retirement Act and the Internal Revenue Code of 1954. The Railroad Retirement Act would be amended to provide for permanent automatic appropriations to the Railroad Retirement Account and the Railroad Retirement Supplemental Account of railroad retirement taxes and railroad retirement supplemental annuity taxes which are collected each year under the Railroad Retirement Tax Act, and to clarify eligibility requirements for the annuity amount provided under Section 3(c) of the Act. The Internal Revenue Code of 1954 would be amended to provide that compensation taxed under the Railroad Retirement Tax Act can be deducted in the same manner as wages taxed under the Federal Insurance Contributions Act from the amount of net earnings subject to the tax on self-employment income, and to increase from \$3 to \$25 the minimum amount of monthly remuneration of employees of railway labor organizations which can be included within the term "compensation" for purposes of the Railroad Retirement Tax Act.



Title I - Amendments to the
Railroad Unemployment Insurance Act

Section 1(a) of the bill would amend Section 1(h) of the Railroad Unemployment Insurance Act. Section 1 of the Act provides definitions of certain terms used in the Act, and Section 1(h) provides the definition of the term "registration period." The present provisions of Section 1(h) of the Railroad Unemployment Insurance Act provide that a registration period for sickness benefit purposes is ended only by a lapse of 13 days after the date on which it began. As a result of the introduction of the continuing period of sickness concept by the amendments made by the second paragraph of section 1(c) of the bill, it is necessary, in order to fully accomplish the purposes of those amendments, that a new registration period for sickness benefit purposes be able to begin on the first day of any four consecutive days of sickness resulting from a new injury or illness. Accordingly, the amendments made to Section 1(h) by section 1(a) of the bill would provide, in effect, that any existing sickness benefit registration period would terminate as of the day before the individual begins a new registration period based on a new "period of continuing sickness." The amendment made by section 1(a) would be effective with respect to days of sickness in registration periods beginning after June 30, 1975.

Section 1(b) of the bill would amend Section 1(k) of the Railroad Unemployment Insurance Act to provide that the term "subsidiary remuneration" means remuneration not in excess of an average of \$10 a day (instead of \$3 a day) for the period with respect to which such remuneration is payable or accrues. In addition to meeting the dollar amount requirement, remuneration must, in order to be considered "subsidiary remuneration," be derived from work which (1) requires substantially less than full time as determined by generally prevailing standards and (2) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation. The receipt of "subsidiary remuneration" will affect entitlement to unemployment or sickness benefits only in cases where such remuneration is necessary to enable the recipient to meet the minimum base year compensation (\$1,000) required to qualify him or her for benefits. The \$10 amount would be more realistic in view of present day wage scales as compared with those when the \$3 amount was fixed in 1958. The amendment made by section 1(b) of the bill would be effective with respect to registration periods beginning after June 30, 1975.

Section 1(c)(1) of the bill would amend Section 2(a) of the Act. Under present law, an employee who engages in a strike is eligible for unemployment benefits on the same basis as an employee who is unemployed for some other reason (i.e., he can receive benefits for each day of unemployment in excess of four during a fourteen day registration period) so long as the strike was not commenced in violation of the provisions of the Railway

Labor Act or in violation of the established rules and practices of the employee's labor organization. In addition, other employees who refuse to work because a strike is in progress are entitled to unemployment benefits regardless of the legality of the strike. The amendment made by the first paragraph of section 1(c) of the bill would provide that during the first registration period in which an employee was unemployed as a result of a particular strike against his employer, he could receive unemployment benefits only for each day of unemployment in excess of seven. This limitation would apply not only to those on strike and those refusing to work because of the strike but also to any other employees of that employer who are unable to work, regardless of their willingness to work, because a strike is in progress. For example, if a strike is commenced against a particular employer and that employer decides to cease all operations while the strike is in progress, all employees of that employer, except those who were already unemployed when the strike commenced, would be subject to the "waiting period" provided by the amendment in question. The effect of this amendment would be to provide that no employee who is unemployed because of a strike, other than an illegal strike subject to Section 4(a-2)(iii), would be entitled to unemployment benefits unless, and until, the strike lasts longer than seven days. Any days of the strike in excess of the first seven will be a separate registration period lasting up to and including the fourteenth day of the strike. Thus, such a registration period could last as little as one day or as long as seven days. Benefits would be paid for all days of unemployment in such registration period. The present disqualification provisions in Section 4(a-2)(iii) would continue to disqualify members of the class and craft participating in illegal strikes. The "waiting period" would be applicable during the first registration period of each strike commenced against a particular employer.

Sickness benefits are payable under present law to an individual only after he has had seven or more days of sickness during one fourteen day registration period in a particular benefit year. Thereafter, sickness benefits are payable for any day of sickness in excess of four during a subsequent registration period in the same benefit year. The amendment made by the first paragraph of section 1(c) of the bill would provide for the payment of sickness benefits for each day of sickness in a "period of continuing sickness" after the individual has had four consecutive days of sickness in the registration period in which the "period of continuing sickness" began and for each day of sickness in excess of four during subsequent registration periods in which the "period of continuing sickness" continues. A "period of continuing sickness" is defined to mean either (1) a period of consecutive days of sickness, whether from one or more causes, or (2) a period of successive days of sickness due to a single cause without interruption of more than 90 consecutive days which are not days of sickness. Thus, if, for example, an individual injures

his back and is unable to work, he would begin receiving sickness benefits after the first four consecutive days in which he is unable to work because of that injury. If he went back to work after the seventh day (or after any other day subsequent to the fourth day) but found, after two days (or any other number of days up to 91), that he was unable to continue because of his back injury, his "period of continuing sickness" would still be in effect, and he could receive sickness benefits without again satisfying the four consecutive days requirement. However, if, after returning to work for one day the individual injured his foot (or contracted an illness) and was unable to work as a result of this new cause, his previous "period of continuing sickness" would have terminated, and he would have to again be unable to work for a period of over four consecutive days before he could receive sickness benefits. If, on the other hand, that same individual, while off from work due to his back injury, had become ill before returning to work, his "period of continuing sickness" would not have terminated, and he could receive sickness benefits because of his illness even though his back injury might have improved to the extent that he could have returned to work had he not become ill. It should also be noted that if an individual were to be unable to work for three consecutive days due to one cause (e.g., a back injury) and, before returning to work, were to be unable to work for another two consecutive days due to another cause (e.g., a cold), he could receive sickness benefits for one day because he would have had more than four consecutive days of sickness during a period of continuing sickness. Furthermore, if that same individual were then to return to work for one day after which he was again unable to work for two days as a result of his back injury, he would be eligible to receive sickness benefits for those two days because, having satisfied the four consecutive days of sickness requirement, he would have had a "period of successive days of sickness due to a single cause i.e., the back injury without interruption of more than ninety consecutive days which are not days of sickness."

The amendments made by section 1(c)(1) of the bill would be effective with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 1975.

Section 1(c)(2) of the bill would amend Section 2(a) of the Act to increase daily unemployment and sickness benefit rates which were fixed at their present levels by amendments enacted early in 1968. The basic benefits are now provided by a table which sets out ten levels of base year compensation and corresponding daily benefit rates starting at \$8.00, payable to those with the minimum qualifying base year compensation, and rising to a maximum of \$12.70, which is reached by those who received base year compensation totalling \$4,000 or more. In addition, a proviso in Section 2(a) of the Act provides that the daily benefits payable cannot be less than the smaller of the table maximum (\$12.70) or 60 percent of the beneficiary's

last daily rate of pay in the base period. The amendment made by section 1(c)(2) would eliminate the present table and proviso minimum and would, in their place, provide a daily rate of unemployment and sickness benefits, for registration periods beginning after June 30, 1975, but before July 1, 1976, equal to the smaller of \$24.00 or 60 percent of the beneficiary's last daily rate of pay in the base period (but not less than \$12.70). For registration periods beginning after June 30, 1976, the \$24.00 figure would be increased to \$25.00. The change made by section 1(c)(2) of the bill would be effective with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 1975.

Section 1(d) of the bill would amend Section 2(c) of the Act. Section 2(c) of the Railroad Unemployment Insurance Act now provides that a qualified employee can receive normal unemployment benefits for up to a maximum of 130 days during a particular benefit year, but the total amount of such benefits cannot exceed the employee's compensation in the base year. The same maximums are applicable to the receipt of sickness benefits. As a result of the increase in daily benefit rates provided by section 1(c)(2) of the bill, the base year compensation maximum would have a much greater impact as a limiting factor on the length of time over which normal unemployment and sickness benefits can be paid, since there would be no increase in the maximum amount of an employee's compensation (\$400 a month) which can be taken into account in determining the base year compensation. In order to prevent this maximum from becoming more of a limiting factor than is desired, the amendment made to the first proviso in Section 2(c) of the Act by section 1(d)(1) of the bill provides that any compensation which the employee received in the base year up to a maximum of \$775 (rather than \$400) a month will be considered in applying the base year compensation maximum. This amendment would also be applicable in determining the base year compensation maximum contained in the new proviso which would be added to Section 2(c) by section 1(d)(2) of the bill. That new proviso would provide extended unemployment benefits in certain cases but would limit the total amount of such extended benefits payable to a particular employee to 50 percent of the employee's base year compensation.

In addition to the normal unemployment and sickness benefits payable under the Act, the present second proviso of Section 2(c) (this proviso would become the third proviso if the amendments made by section 1(d)(2) of the bill are enacted) provides an extended benefit period for otherwise-qualified employees who have 10 or more years of service creditable under the Railroad Retirement Act and have exhausted their rights to normal benefits. Employees who have 10 but less than 15 years of service can receive up to an additional 65 benefit days for each type of benefit (i.e., unemployment benefits and sickness benefits), and employees with 15 or more years of service can receive each type of benefit for up to a maximum of an additional 130 benefit days. The amendment made by section 1(d)(2) of the bill would provide an

extended benefit period for otherwise-qualified employees with less than 10 years of service creditable under the Railroad Retirement Act. As in the case of extended benefits for employees who have 10 but less than 15 years of service, an extended benefit period for an employee with less than 10 years of service would begin after rights to normal benefits had been exhausted and would provide benefits for up to a maximum of an additional 65 days. Unlike the case of extended benefits to those with 10 or more years of service: (1) the employee with less than 10 years of service could receive only unemployment benefits during an extended benefit period - no provision is made for an extended benefit period for sickness benefit purposes; (2) an extended benefit period for an employee with less than 10 years of service could begin only during a period of "high unemployment" in the railroad industry; and (3) the total amount of unemployment benefits payable to an employee with less than 10 years of service in an extended benefit period could not exceed 50 percent of his base year compensation (as determined in accordance with the amended first proviso of Section 2(c) of the Act). These limitations are patterned after limitations on extended benefits payable for days of unemployment under the Federal-State extended compensation program. A new Section 2(h) of the Act (which would be added by section 1(e) of the bill) would contain provisions for determining when an extended unemployment benefit period could begin for an employee with less than 10 years of service and for determining the duration of the extended benefit period in a particular case. The operation of these provisions is an adaptation to the railroad industry of the "trigger" provisions of the Federal-State Extended Unemployment Compensation Program.

The amendment made by section 1(d)(1) of the bill would be effective with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 1975. The amendment made by section 1(d)(2) of the bill would be effective with respect to days of unemployment in registration periods beginning after June 30, 1975.

Section 1(e) of the bill would add to Section 2 of the Act a new section, Section 2(h). As stated above, the new Section 2(h) of the Act would provide when an extended benefit period could begin for an employee with less than 10 years of service and would also provide the duration of such a period in a particular case. Pursuant to the provisions of subdivision (1) of the new section, an extended benefit period would begin for a particular employee on his first day of unemployment within a "period of high unemployment" after the employee has exhausted his rights to normal unemployment benefits. Once begun, the extended benefit period would continue for seven consecutive registration periods (a total of 98 calendar days), regardless of the number of days in which the employee was unemployed during that period and regardless of whether or not the "period of high unemployment" continued to be in effect. As in the case of an extended benefit period for an employee with 10 or more years of service: (1) a general benefit year, which normally ends on June 30, would be extended until the last day of any extended benefit period which began during the general benefit year, and

(2) an employee who is not qualified for benefits in a particular general benefit year could begin an extended benefit period based on his base year compensation for the last preceding general benefit year, but only if he was qualified for benefits in that preceding general benefit year - for this purpose the preceding general benefit year is extended until the last day of the extended benefit period.

Subdivisions (2) and (3) of Section 2(h) would provide the method for determining when a "period of high unemployment" is in existence - as remarked above, such method is an adaptation to the railroad industry of the "trigger" provisions of the Federal-State Extended Unemployment Compensation Program (sections 203(d) and (f)(1) of Public Law 91-373, 84 Stat. 710). A "period of high unemployment" begins 20 days after either the national "on" indicator becomes effective or after a 3 consecutive month period in each month of which the "rate of railroad unemployment" equals or exceeds the level necessary to trigger a national "on" indicator for purposes of the Federal-State Extended Unemployment Compensation Program - under the provisions of the Emergency Unemployment Compensation Act of 1974, this level is 4 percent of insured unemployment during the years 1975 and 1976. Similarly, a period of high unemployment ends 20 days after a 3 consecutive month period in each month of which the "rate of railroad unemployment" is at a level which would trigger a national "off" indicator under the aforementioned Program and the national "off" indicator have become effective. While the method of determining the "rate of railroad unemployment" for a particular month is patterned after the method used for purposes of the Federal-State Unemployment Compensation Program, railroad industry data and indicators rather than the State data and indicators would be used.

The Board would make all determinations required to implement the provisions of Section 2(h) and would cause notice of the beginning or ending of a "period of high unemployment," as well as notice of the formula used in its determination, to be published in the Federal Register. The amendments made by section 1(e) of the bill would be effective with respect to days of unemployment in registration periods beginning after June 30, 1975.

Section 1(f) of the bill would amend Section 3 of the Act. Section 3 of the Railroad Unemployment Insurance Act now provides that an employee who has not engaged in employment covered under the Act at any time prior to the base year is not entitled to benefits unless he earned compensation in at least seven months of that base year. Section 1(f) of the bill would lower the requirement from seven months to five months. This change would be effective with respect to service rendered after December 31, 1973. Thus, employees who satisfied the new requirement during the 1974 base year could qualify for benefits in the benefit year beginning July 1, 1975.

Section 1(g) of the bill would amend Section 8(a) of the Railroad Unemployment Insurance Act to provide a revised schedule of contribution rates which would be paid by employers to support the unemployment and sickness benefit programs. The new schedule would require an 8 percent contribution rate if the balance in the railroad unemployment insurance account was less than \$50 million, a 7 percent contribution if the balance in the account was at least \$50 million but less than \$100 million, a 5.5 percent contribution rate if the balance in the account was at least \$100 million but less than \$200 million, a 4 percent contribution rate if the balance in the account was at least \$200 million but less than \$300 million, and a 1/2 percent contribution rate if the balance in the account was \$300 million or more. By way of contrast, the present contribution rate schedule provides for a 4 percent contribution rate whenever the balance in the account is less than \$300 million, and the rate drops to 1-1/2 percent only if the balance in the account is \$450 million or more. The balance in the account as of September 30 of a particular year will continue to determine the contribution rate for the following calendar year. The balance in the account as of September 30, 1974, was approximately \$89 million. However, since the revised schedule would first become effective with respect to compensation paid for services rendered after December 31, 1975, the present rates would continue to be applicable until 1976, when the new rate would be determined on the basis of the balance in the account as of September 30, 1975.

Section 1(h) of the bill would amend Section 8(b) of the Act to change an employee representative's contribution rate from the present flat 4 percent to whatever percentage is determined to be applicable to employers as the balance in the railroad unemployment insurance account changes. Although this change would technically be effective with respect to compensation paid for services rendered after December 31, 1975, it would have no practical effect at this time because the entire Section 8(b) has standby significance only. While employee representatives are covered by the Railroad Unemployment Insurance Act, they are currently, pursuant to the provisions of Section 1(g) of the Act, neither subject to contributions nor entitled to benefits.

Section 1(i)(1) of the bill would amend Section 10(a) of the Act, and section 1(j) of the bill would amend Section 11(a) of the Act. Both changes relate to the railroad unemployment insurance administration fund. An amount equal to 0.25 percent of the total compensation subject to contributions under the Act is automatically deposited in the railroad unemployment insurance administration fund to defray the costs of administering the unemployment and sickness benefit programs. Any amount in the fund in excess of \$6 million on June 30 of each year is transferred to the railroad unemployment insurance account. As long as the contributions base remains at \$400 per month, the amount that will become available for administration will decrease if railroad employment decreases,

as has been the case in most recent years. At the same time, administrative costs will tend to increase because of wage and price increases. Accordingly, in order to eliminate the danger that the funds available for the payment of administrative expenses might be inadequate, the amendments made by sections 1(i)(1) and 1(j) of the bill will cause the amount deposited in the administration fund to be increased from 0.25 percent to 0.5 percent of taxable payroll. These changes would be effective with respect to compensation paid for services rendered after December 31, 1975.

Section 1(i)(2) of the bill would also amend Section 10(a) of the Act to delete an obsolete reference to subsection (h) of Section 10, which prior to 1975 provided for certain financial interchange between the railroad unemployment insurance account and the Railroad Retirement Account. Such interchange was eliminated by the Railroad Retirement Act amendments of 1974. This change would be effective on the date the bill is enacted into law.

Section 2 provides the effective dates of the various amendments made by section 1 of the bill. Section 2(c) provides that any additional payments because of the increase in the maximum daily benefit rate paid between July 1 and the enactment date of this Act will be paid to the insurer, or employer if self-insured, in the case of employees who receive supplemental benefits for such period from the insurance company or employer as the case may be. The reimbursement will be limited so that the employee will have received in benefits and supplemental benefits the amount he would have been entitled to if the increase was paid prior to enactment of this Act.

Title II - Amendments to the Railroad
Retirement Act of 1974 and the
Railroad Retirement Tax Act

Section 201 of the bill would amend Section 15(a) and 15(c) of the Railroad Retirement Act of 1974 to provide permanent appropriations of regular railroad retirement taxes and supplemental annuity taxes collected under the Railroad Retirement Tax Act to the Railroad Retirement Account and the Railroad Retirement Supplemental Account to pay for benefits provided by the Railroad Retirement Act of 1974. Section 201 would also add a new subsection to Section 15 of the Railroad Retirement Act of 1974 to authorize appropriations to cover expenses incurred by the Railroad Retirement Board in the administration of the Railroad Retirement Act of 1974.

Title V of Public Law 452, 82d Cong., 2d sess., 1952 (66 Stat. 358, 371), provides for the continuing annual credit of regular railroad retirement taxes to the Railroad Retirement Account for purposes of the Railroad

Retirement Acts of 1935 and 1937. Section 15(b) of the Railroad Retirement Act of 1937 provided such a permanent appropriation of tax collections with respect to the supplemental annuity program. In view of the recent enactment into law of the Railroad Retirement Act of 1974, replacing the 1937 Act, the amendments made by section 201 are considered necessary to insure that the continuing annual appropriations to the accounts will not be interrupted. It is to be noted that such permanent appropriations are now provided for the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, with respect to taxes collected under the Federal Insurance Contributions Act, by section 201 of the Social Security Act.

The amendments made by section 201 would be effective January 1, 1975, which is the same day the Railroad Retirement Act of 1974 went into effect, and would have no cost significance.

Section 202 of the bill would amend section 204 of Public Law 93-445 (the Railroad Retirement Act of 1974, enacted October 16, 1974) to provide that an individual who was awarded an annuity under Section 2(a) of the Railroad Retirement Act of 1937 will not be entitled to an annuity component computed under the provisions of Section 3(c) of the Railroad Retirement Act of 1974. This restriction would not apply either to individuals who after December 31, 1974, render at least 12 months of service as an employee for an employer (as defined in the Railroad Retirement Act of 1974) or to individuals who return to service for such an employer after December 31, 1974, after recovering from disabilities for which they had been awarded occupational or total and permanent disability annuities under the Railroad Retirement Act of 1937.

Section 3(c) of the Railroad Retirement Act provides an amount as a portion of certain employees' total railroad retirement annuities which, although it is based on service performed prior to 1975, is available only to employees who have also engaged in railroad service after 1974. The amount of this annuity component is \$1.50 for each of the employee's first 10 years of service prior to January 1, 1975, plus \$1.00 for each year of the employee's service prior to that date in excess of 10 years of service.

The amount thus provided by Section 3(c) of the Railroad Retirement Act of 1974 was, as a general matter, intended to be payable only to those who had not retired prior to January 1, 1975, the effective date of the Railroad Retirement Act of 1974. The amendment made by section 202 of the bill would put this restriction into the law. Such a restriction would prevent individuals from returning to the railroad industry and qualifying for the prior service component by performing a token amount of service after 1974; however, as indicated, the restrictions would not apply to individuals who

perform at least 12 months of creditable service after 1974 or who were awarded disability annuities under the Railroad Retirement Act of 1937 but later recovered and returned to service after 1974.

At the time the Railroad Retirement Act of 1974 was enacted, the general understanding was that the annuity component provided under Section 3(c) of that Act would not accrue to individuals who were fully retired prior to January 1, 1975, the day the Act went into effect. Section 202 of the bill would conform the law to that understanding by preventing certain individuals, who may be in the position to take advantage of the present law, from realizing an unintended gain on the basis of a token amount of additional service, perhaps as little as one day. The amendment would be effective January 1, 1975, the same day that the Railroad Retirement Act of 1974 went into effect.

Section 203(a) of the bill would amend section 1402(b) of the Internal Revenue Code of 1954. In 1968 the Internal Revenue Code was amended by section 502 of Public Law 90-248 to provide that compensation subject to employment and hospital insurance taxes under the Railroad Retirement Tax Act is to be treated as wages subject to employment and hospital insurance taxes under the Federal Insurance Contributions Act for purposes of determining (A) whether an individual is entitled to a refund under section 6413(c) of the Code because of the payment of hospital insurance taxes in excess of the annual maximum and (B) the amount of the hospital insurance taxes which an individual will be required to pay under section 1401(b) of such Code on the basis of his self-employment income. Since an individual receives the same hospital insurance coverage by reason of being engaged in employment covered under the railroad retirement system as he receives because of employment or self-employment under the social security system, it was believed that railroad retirement compensation should be treated in the same manner as social security wages in determining the hospital insurance taxes which are payable in a case where the individual engaged in dual employment or in both employment and self-employment during a particular calendar year.

When a new Railroad Retirement Act was enacted in 1974, by Public Law 93-445, to provide benefits thereunder which are so closely coordinated with those payable under the Social Security Act that the future accrual of separate dual benefits on the basis of a single individual's earnings record is, in effect, eliminated, section 6413(c) of the Internal Revenue Code was further amended to provide that railroad retirement compensation will be treated as social security wages to determine whether an individual is entitled to a tax refund because he has paid employment taxes (not merely hospital insurance taxes) in excess of the FICA annual maximum. Section 203(a) of the bill would extend this principle (i.e., the treatment of railroad retirement compensation as social security wages) to determinations as to the amount of "social security" self-employment taxes which the individual

would be required to pay under section 1401(a) of the Code. This result would be accomplished by deleting from section 1402(b) of the Code (which defines self-employment income for purposes of self-employment taxes) the language which, under present law, limits the treatment of compensation as wages to determinations with respect to the hospital insurance tax payable under section 1401(b) of the Code.

Section 203(b) of the bill would amend section 3231(e) of the Internal Revenue Code of 1954. Public Law 93-445, which was enacted into law on October 16, 1974, provided a new Railroad Retirement Act of 1974 which became effective on January 1, 1975. The definition of the term "compensation" contained in Section 1(h) of the 1974 Act provides that remuneration of less than \$25 a month (rather than the \$3 a month provided in the previous Act) paid to an individual in the service of a local lodge or division of a railway-labor-organization employer will not be creditable as compensation for benefit purposes under the Act. The companion definition of "compensation" contained in the Railroad Retirement Tax Act (which levies employment taxes to support the railroad retirement system) was not similarly changed. Thus, technically at least, an individual who receives remuneration of the type in question in excess of \$3 a month but less than \$25 a month could be required to pay employment taxes on such remuneration even though it would not be creditable for benefit purposes. The amendment made by section 203 of the bill would correct that oversight.

The amendments made by section 203 of the bill would be effective with respect to compensation paid for services rendered on or after January 1, 1975, and would have no cost significance to the railroad retirement system.

Financial Effects of the Enrolled Bill

Financing and Costs, Benefit Years 1976-80 under Title I of the Enrolled Bill

Unemployment and sickness benefits under title I of the enrolled bill would cost an average of \$176.9 million over the next five benefit years starting with the year 1975-76, or about 6.8 percent of taxable payroll based on the present \$400 monthly taxable limit. This represents an increase of \$90.3 million over the average cost of present benefits projected over the same five year period. The average cost attributable to the proposed increase in the maximum daily benefit rate over the five year period -- \$24 starting July 1, 1975, \$25 the following benefit year -- alone accounts for about 95 percent of the total costs. The average annual cost of all other changes in title I over the five year period is \$9.3 million. The increased costs are financed principally by changing the existing tax rate

schedule. The new tax rates would be approximately double the present tax rates, but the present monthly taxable limit of \$400 is retained. On this basis, title I of the bill provides financing to the extent that there would be an average balance of between \$50 and \$60 million.

The costs were estimated on the assumption that railroad employment would decline 2-1/2 percent per year over the entire projected five year period. Average employment between 1973 and 1974 increased 1.7 percent, but monthly employment began to drop by as much as four percent early in 1975. It was assumed that earnings in the railroad industry would rise following the pattern of wage agreements reached in 1975 between management and a number of railroad unions. Based on the relationships in recent periods between employment and unemployment beneficiaries (disregarding strikes), it was also assumed that the number of unemployment beneficiaries would increase 1 percent a year throughout the five year period. On the other hand, sickness benefits were assumed to follow the assumed decline in employment -- dropping 2-1/2 percent per year from their 1974-1975 level.

Based on the economic assumptions, the "on" trigger would be in effect for the entire five years of the projection for payment of extended benefits for employees with less than 10 years of service. However, from a long-range point of view it is obvious that this would not be the case. To this extent the cost estimate for extended benefits over the long term may be overstated by about one-half million a year.

Table 1 gives the cost of the individual items in the proposed legislation excluding administrative expenses. Table 2 is a five year projection of the contributions, unemployment and sickness benefits, with an allowance for interest and administrative expenses. For purposes of the projection it was assumed that the starting balance in the railroad unemployment insurance account would be \$100 million as of June 1975. The average balance over the next five years in the account is \$55 million. Table 3 is a projection of employment and payrolls in the railroad industry.

Table 1. Costs of Title I of the Enrolled Bill,
July 1, 1975 - June 30, 1980
(millions of dollars)

Costs of Individual Provisions	Benefit Years					Average for 5-Year Period
	1975-76	1976-77	1977-78	1978-79	1979-80	
TOTAL ^{1/}	\$171.0 (6.3)	\$179.1 (6.8)	\$179.1 (6.9)	\$178.1 (7.1)	\$177.0 (7.2)	\$176.9 (6.8)
1. Increasing the maximum daily benefit rate (excludes strikes)	162.0	169.6	169.7	168.8	167.8	167.6
2. Payment for sickness after reducing the waiting period from 7 to 4 days	4.5	4.6	4.5	4.4	4.3	4.5
3. Payment of 13 weeks of extended unemployment benefits to employees with less than 10 years of service ^{2/}	1.1	1.2	1.2	1.2	1.2	1.2
4. Reduction in the service for new entrants from 7 to 5 months	2.4	2.7	2.7	2.7	2.7	2.6
5. Strike benefits under a 7 day waiting period	1.0	1.0	1.0	1.0	1.0	1.0

^{1/} Numbers in parenthesis are total costs as a percent of taxable payroll, but do not include an average of about .3 percent of taxable payroll for administrative expenses.

^{2/} Paid only when the rate of unemployment in either the national economy or the railroad industry is equal to or exceeds a specified rate.

TABLE 2

Projection of Estimated Railroad Unemployment and Sickness
Insurance Account Balances, Benefit Years 1976-80 for Title I of the Enrolled Bill
(millions of dollars)

Benefit Year	Taxable Payroll	Employer contributions	RUIA Benefits	Interest <u>1/</u>	Balance in the RUIA Account <u>2/</u>
					\$100.0
1975-76	\$2,714	\$120.1	\$171.0	\$4.5	\$ 55.4
1976-77	2,651	172.3	179.1	3.1	58.5
1977-78	2,588	168.2	179.1	3.2	57.3
1978-79	2,521	163.9	178.1	3.0	52.2
1979-80	2,460	165.9	177.0	2.8	49.7
Average	<u>\$2,587</u>	<u>\$158.1</u>	<u>\$176.9</u>	<u>\$3.3</u>	<u>\$54.6</u>

1/ Interest rate of 6 percent a year assumed.

2/ Employer contributions to the RUIA do not include 0.5 percent of the taxable payroll for administrative expense. However, balances include transfers from the administrative expense account in excess of \$6 million.

Table 3

Projected Taxable Payrolls of Covered Employment Under the
Railroad Unemployment Insurance Act, Calendar Years 1975-80
(millions of dollars)

Calendar Year	Average Employment	Total Payroll	Taxable Payroll (\$400 Monthly Limit)
1975	579,000	\$ 8,971	\$2,730
1976	565,000	9,564	2,667
1977	551,000	10,078	2,604
1978	537,000	10,980	2,536
1979	524,000	11,564	2,476
1980	511,000	12,183	2,412

Financial Effects of Title II of the Enrolled Bill

Sections 201 and 203 of the enrolled bill have no cost significance, as indicated. It is estimated that enactment of the provisions contained in section 202 of the enrolled bill would save the railroad retirement system approximately .05 percent of payroll or \$3 million per year on a level basis. Expressed as a present value, the savings amounts to about \$50 million. This estimate is necessarily rough. It is difficult to predict what proportion of already-retired annuitants would return to service for a short time for the purpose of qualifying for the additional amount if the bill were not enacted.

Views of the Board

James L. Cowen, Chairman of the Railroad Retirement Board, wants to call attention to the fact that the cost estimates indicate that the financing should be sufficient although the safety margins are not great, with the reserve remaining at less than four months' benefits and the maximum contribution rate being only 11 percent above the estimated cost. However, the Railroad Unemployment Insurance Act, without these amendments, contains provisions for borrowing from the Railroad Retirement Account so that any shortage would not be financed out of general funds.

The provisions of the bill other than those dealing with financing should not cause any concern to the Administration.

Title II of the bill contains basically technical provisions which were inadvertently omitted when Public Law 93-445 was enacted in 1974 and are considered highly desirable by the Board.

In view of the above, the Chairman recommends that the bill be signed by the President.

Neil P. Speirs, Labor Member of the Railroad Retirement Board, and Wythe D. Quarles, Jr., Carrier Member, are in favor of the enrolled bill H.R. 8714. The bill has the support of both railroad labor and management. The bill would provide a needed increase in benefit rates which have not been changed since 1968 despite the increase in the cost of living in the last seven years. The revenues which would be produced by the financing provisions of the bill are adequate to pay the cost of the amendments made to the law while maintaining a balance in the railroad unemployment insurance account of about \$50 million per year. A larger reserve fund is unnecessary in view of the authority provided in Section 10(d) of the Railroad Unemployment Insurance Act for the Board to borrow funds from the Railroad Retirement Account when the funds in the railroad unemployment insurance account are insufficient. Such loans have been made in the past and have been repaid,

Mr. James M. Frey

H.R. 8714

as required by Section 10(d) of the Railroad Unemployment Insurance Act, with interest. Benefits paid under the Railroad Unemployment Insurance Act are financed exclusively by railroad employers, and this obligation has always been met. Railroad management and railroad labor agree on the sufficiency of the smaller level reserve. If for any reason the tax schedule becomes inadequate, the Board would, of course, support corrective legislation.

Furthermore, the amendments to present law which would be made by title II of the enrolled bill are important and necessary. Accordingly, Mr. Speirs and Mr. Quarles recommend that the enrolled bill be signed by the President.

Sincerely yours,



FOR THE BOARD

R. F. Butler, Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 7,

Time: 500pm

FOR ACTION: Mike Duval *MD*
Max Friedersdorf *MF*
Ken Lazarus *KL*
~~Bill Seidman~~

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 8

Time: noon

SUBJECT:

H.R. 8714 - Increases in Railroad Unemployment
and Sickness benefits

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President



OFFICE OF THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

AUG 1 1975

GENERAL COUNSEL

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of the Department on H.R. 8714, an enrolled bill

"To amend the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits."

The enrolled bill reflects the exact provisions of an agreement reached through collective bargaining by representatives of all the railroad unions and all the Class I railroads in the United States. Title I of the bill would increase the maximum daily railroad unemployment insurance benefit from the present \$12.70 per day to \$24.00, retroactive to July 1 this year, with a further increase to \$25.00 a day on July 1, 1976. The bill makes further liberalizations in eligibility for employment and sickness benefits under the program, and prohibits payment of unemployment benefits for the first seven days of any strike. The bill also provides for extended unemployment benefits of 13 weeks for employees with less than 10 years of service.

Although the Department has some concern with respect to the increased costs which will be imposed on the financially depressed railroad industry, we recognize the need to increase railroad employees' unemployment and sickness benefits, which have not been raised since 1969. The benefit levels contained in the enrolled bill fall within the range of unemployment insurance benefits now being provided by the major industrial states, and represent a compromise agreed to by labor and management. Weighing all of the above factors, we recommend that the President sign the enrolled bill.

Sincerely,

A handwritten signature in black ink, which appears to read "John Hart Ely", is written over the typed name. The signature is fluid and cursive.

John Hart Ely

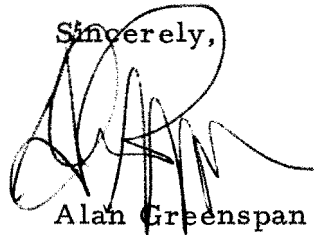
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 1, 1975

Dear Mr. Frey:

This is in response to your request for my views on
H. R. 8714, Title I -- Railroad Unemployment Insurance Act
Amendments. I recommend that the President sign the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Greenspan", written over the word "Sincerely,".

Alan Greenspan

Mr. James Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

August 4, 1975


Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management
and Budget
Washington, D.C.

Dear Mr. Frey:

I am writing in response to your request for comments about H.R. 8714, an enrolled bill to amend the Railroad Unemployment Insurance Act. The Council staff has no opposition to that bill and would recommend that it be signed by the President.

In light of the requirement in OMB Circular A-19 that comments on enrolled bills be submitted by a Presidential appointee, I note that my designation as Acting Director has been submitted to the President for his approval.

Sincerely,



George Eads
Assistant Director for
Government Operations
and Research



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 5 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 8714, "To amend the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits, and for other purposes."

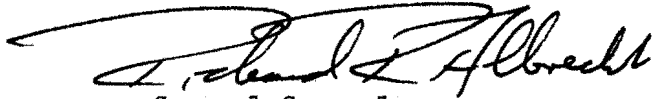
Title I of the enrolled enactment would increase the maximum level of railroad unemployment insurance and sickness benefits from the present \$12.70 per day to \$24 per day for the benefit year beginning July 1, 1975, and ending June 30, 1976, and to \$25 per day for the benefit year beginning July 1, 1976, and thereafter. Title I would also liberalize eligibility for such benefits, and would prohibit payment of unemployment benefits for the first seven days of any strike. Title II of the enrolled bill would provide permanent appropriations of regular railroad retirement taxes and supplemental annuity taxes collected under the Railroad Retirement Tax Act to the Railroad Retirement Account and the Railroad Retirement Supplemental Account to pay for unemployment and sickness benefits. It would also amend the Internal Revenue Code to correct an oversight in the 1974 revision of the Railroad Retirement Act and Railroad Retirement Tax Act.

The increased costs of benefits under title I would be financed principally by doubling the present tax rate on railroad payrolls. The conference report on H.R. 8714 estimates that this increase in funding should be sufficient to maintain an average balance in the Railroad Unemployment and Sickness Insurance Account of between \$50 and \$60 million for the next 5 fiscal years. Title II has little, if any, cost significance.

The Department defers to the views of other agencies more directly concerned as to the need for these benefit increases. However, the Department believes that the bill provides for increases in contributions to the unemployment insurance fund in an amount sufficient to insure adequate funding for the new benefit levels.

Subject to the above consideration, the Department would have no objection to a recommendation that the President sign the enrolled enactment.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Richard R. Albrecht". The signature is written in dark ink and is positioned above the typed name.

General Counsel

Richard R. Albrecht

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

AUG 5 1975

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for our views on H.R. 8714, an enrolled bill "To amend the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits, and for other purposes."

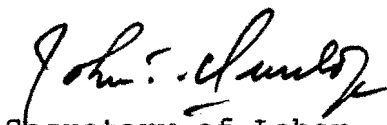
The enrolled bill will increase maximum railroad unemployment insurance benefits, broaden the eligibility for unemployment and sickness benefits, and prohibit the payment of unemployment benefits for the first 7 days of any strike. It also amends the Railroad Retirement Act and the Railroad Retirement Tax Act to correct errors in last year's comprehensive revision of the Railroad Retirement Act.

This enrolled bill does not conform to the views of this Department, as expressed in our letter of June 9, 1975, to the Chairman of the House Interstate and Foreign Commerce Committee on H.R. 4716, a similar bill. In that letter, we expressed the view that such changes in the unemployment compensation system for one industry should be considered in coordination with possible permanent changes now under consideration for the entire unemployment compensation system. We still believe this to be true. While this enrolled bill does not preclude that approach, we do recognize that it may make some substantive changes more difficult to achieve.

However, in view of the fact that this enrolled bill embodies the provisions of an agreement between labor and management representatives in the railroad industry

and it does make certain improvements in the railroad unemployment compensation system, we would not oppose the President's signing of the bill. We further believe that even if the bill were vetoed, such a veto would be overridden.

Sincerely,


Secretary of Labor

THE WHITE HOUSE

WASHINGTON

August 8, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF
SUBJECT: H.R. 8714 - Increases in Railroad Unemployment
and Sickness benefits

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 7,

Time: 500pm

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus ✓
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 8

Time: noon

SUBJECT:

H.R. 8714 - Increases in Railroad Unemployment
and Sickness benefits

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus 8/8/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
for the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 7,

Time: 500pm

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

overdue!

DUE: Date: ~~August 8~~

Time: ~~noon~~

SUBJECT:

H.R. 8714 - Increases in Railroad Unemployment
and Sickness benefits

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

*approval
JWS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James D. Cavanaugh
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 7 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8714 - Increases in railroad
unemployment and sickness benefits
Sponsor - Rep. Staggers (D) West Virginia

Last Day for Action

August 13, 1975 - Wednesday

Purpose

Increases unemployment and sickness benefits paid under the Railroad Unemployment Insurance Act; raises the rate of contributions paid by covered employers; provides extended unemployment benefits for railroad employees with less than 10 years' service; and makes other changes in the Act as well as various technical changes in the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act.

Agency Recommendations

Office of Management and Budget	Approval
Railroad Retirement Board	Approval
Department of Transportation	Approval
Council of Economic Advisers	Approval
Council on Wage and Price Stability staff,	Approval
Department of the Treasury	No objection
Department of Labor	Would not oppose approval

Discussion

Title I of H.R. 8714 would raise benefits and tax rates under the Railroad Unemployment Insurance Act, which was last updated in 1968. That Act, which was enacted in 1938, provides for unemployment and sickness benefits for railroad employees financed by their employers, totally separate from the regular unemployment insurance system. Through the years, the

RAILROAD UNEMPLOYMENT INSURANCE ACT AMENDMENTS

JULY 22, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. STAGGERS, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H.R. 8714]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H.R. 8714) to amend the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

- (1) On page 2, line 24, immediately after "employed," insert "other than a strike subject to the disqualification in section 4(a-2) (iii),".
- (2) On page 3, line 14, after "sickness." insert "; and".
- (3) On page 4, line 11, strike out "renumeration" and insert "remuneration".
- (4) On page 9, line 4, strike out "amendments" and insert in lieu thereof "amendment".
- (5) On page 9, line 5, strike out "and 1(c) (1)".
- (6) On page 9, line 11, strike out "(2)".
- (7) On page 10, line 14, strike out "1(c) (1),".
- (8) On page 10, line 22, strike out "amendments" and insert in lieu thereof "amendment".

PRINCIPAL PURPOSE OF THE BILL

The reported bill reflects the exact provisions of an agreement reached through collective bargaining by representatives of all the unions and all the Class I railroads in the United States. Title I of the bill would increase railroad unemployment insurance benefits from the present \$12.70 per day to \$24.00 a day maximum, retroactive to July 1 this year, with a further increase to \$25.00 a day as of July 1, 1976. The bill makes further liberalizations in eligibility for un-

employment and sickness benefits under the program, and prohibits payment of unemployment benefits for the first seven days of any strike.

Title II of the bill makes amendments to the Railroad Retirement Act and Railroad Retirement Tax Act to correct errors made in last years comprehensive revision of the Railroad Retirement Act.

The bill was reported from the committee by a voice vote.

BACKGROUND

The original legislation on this subject was introduced as H.R. 4716 at the request of all the standard railway labor organizations. Hearings were held before the Subcommittee on Transportation and Commerce on April 22 and 23, 1975. At those hearings, the positions of labor and management were almost diametrically opposed, except that both sides agreed that some revision upward in the level of unemployment insurance benefits from the current \$12.70 maximum was warranted. Following the hearings intensive negotiations were held between representatives of the unions and of management, and agreement was reached on July 17 on the provisions of the legislation herewith reported to the House.

Title II of the bill consists of the provision of H.R. 3283, a bill requested by the Railroad Retirement Board, which was supported by railroad labor and management, and was cleared with OMB and the Treasury Department, which have no objections to it. In addition, Title II includes the provisions of H.R. 5625, introduced at the joint request of labor and management, revising eligibility for certain benefits under the Railroad Retirement Act of 1974, and supported by the Railroad Retirement Board. OMB has interposed no objections to the bill. In addition, Title II contains amendments to the Internal Revenue Code to correct an oversight in the 1974 revision of the Railroad Retirement Act and Railroad Retirement Tax Acts. This amendment was discussed in the following exchange of letters between Chairman Stagers and Chairman Ullman of the Ways and Means Committee:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C., April 16, 1975.

HON. AL ULLMAN,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The Subcommittee on Transportation and Commerce is planning to conduct hearings on April 22 and 23rd on legislation which would increase unemployment insurance benefits for railroad workers. There will be included in these hearings two non-controversial bills amending the Railroad Retirement Act, and following the hearings, the Subcommittee currently plans to consolidate these bills into one, and then introduce a clean bill for the purposes of floor consideration.

A problem has recently been called to our attention involving the interrelationship between taxes paid by railroad employees to finance the Railroad Retirement System, and taxes imposed upon income of

those same individuals derived from self employment. Where a railroad employee holds outside employment, he is required to pay FICA taxes on his non-railroad employment income only to the extent that his income from railroad employment is less than the maximum amount taxable as FICA wages.

Due to an oversight in last year's revision of the Railroad Retirement Act, a similar amendment was not adopted dealing with self employment income, so that we now have the situation where a railroad employee whose railroad compensation equals or exceeds the FICA maximum, and who also engages in self employment is required to pay tax on his self employment income at the rate of 7.9%, and as a practical matter he derives no benefit whatsoever from these taxes.

I would propose to offer an amendment to the clean bill to be reported by the Subcommittee to correct the above situation, by treating self employment income of railroad employees in the same fashion as their FICA wages are treated. This result would be accomplished by the following amendment:

(a) Section 1402(b) of the Internal Revenue Code of 1954 is amended by striking out "but solely with respect to the tax imposed by section 1401(b)." from item (B) of the second sentence thereof.

(b) The amendment made by this section shall be effective January 1, 1975, and shall apply only with respect to compensation paid for services rendered on or after that date.

In addition, last year's revision of the Railroad Retirement Act (Public Law 93-445) provides that the term "compensation" shall not include remuneration received by employee of railway labor organizations, unless the amount thereof exceeds \$25.00 per month (under the former Railroad Retirement Act of 1937, the amount was \$3.00). Through an oversight, the corresponding amendment was not made to the Railroad Retirement Tax Act, so that these employees are today required to pay taxes on this remuneration in excess of \$3 and below \$25, but they receive no credit therefor under the Railroad Retirement Act.

I therefore intend to propose a further amendment to the Subcommittee bill as follows:

(a) Section 3231(e) of the Internal Revenue Code of 1954 is amended by striking out "\$3" from the fifth sentence of paragraph (1) and inserting in lieu thereof "\$25"

(b) The amendment made by this section shall be effective January 1, 1975, and shall apply only with respect to compensation paid for services rendered on or after that date."

If a bill making the amendments discussed in this letter were introduced, it would of course, be referred to the Committee on Ways and Means since amendments to the Internal Revenue Code are under your Committee's jurisdiction. I shall be guided by your wishes, but I hope the Committee on Ways and Means would have no objection to these amendments being adopted to the Subcommittee's bill in view of their close connection to the Railroad Retirement Act which act is within this Committee's jurisdiction.

Sincerely yours,

HARLEY O. STAGGERS, *Chairman.*

MAY 1, 1975.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of
Representatives, Washington, D.C.

SOCIAL SECURITY—OASDI—RAILROAD RETIREMENT

DEAR MR. CHAIRMAN: This is in answer to your letter of April 16, 1975, relating to two minor amendments to the Internal Revenue Code which are necessary to bring about needed changes in the Railroad Retirement Act, which were overlooked when that Act was amended last year.

The substances of these amendments has been discussed between the staff of your Subcommittee on Transportation and Commerce, and the Subcommittee on Social Security of the Committee on Ways and Means. There is no doubt that these amendments have merit and are necessary to eliminate problems which would otherwise arise in the operation of the Railroad Retirement System, and further that they would make no substantive changes in the legislation about which the Committee on Ways and Means would have any objection.

Sincerely,

AL ULLMAN, *Chairman.*

FINANCING AND COSTS, BENEFIT YEARS 1976-80 UNDER H.R. 8714

Unemployment and sickness benefits under H.R. 8714 would cost an average of \$176.9 million over the next 5 benefit years starting with the year 1975-76, or about 6.8 percent of taxable payroll based on the present \$400 monthly taxable limit. This represents an increase of \$90.3 million over the average cost of present benefits projected over the same 5 year period. The average cost attributable to the proposed increase in the maximum daily benefit rate over the 5 year period—\$24 starting July 1, 1975, \$25 the following benefit year—alone accounts for about 95 percent of the total costs. The average annual cost of all other changes in H.R. 8714 over the 5 year period is \$9.3 million. The increased costs are financed principally by changing the existing tax rate schedule. The new tax rates would be approximately double the present tax rates, but the present monthly taxable limit of \$400 is retained. On this basis, H.R. 8714 should be adequately financed to the extent that an average balance of between \$50 and \$60 million is satisfactory.

The costs were estimated on the assumption that railroad employment would decline 2½ percent per year over the entire projected 5 year period. Average employment between 1973 and 1974 increased 1.7 percent, but monthly employment began to drop by as much as 4 percent early in 1975. It was assumed that earnings in the railroad industry would rise following the pattern of wage agreements reached in 1975 between management and a number of railroad unions. Based on the relationships in recent periods between employment and unemployment beneficiaries (disregarding strikes), it was also assumed that the number of unemployment beneficiaries would increase 1 per-

cent a year throughout the 5 year period. On the other hand, sickness benefits were assumed to follow the assumed decline in employment—dropping 2½ percent per year from their 1974-75 level.

Based on the economic assumptions, the "on" trigger would be in effect for the entire 5 years of the projection for payment of extended benefits for employees with less than 10 years of service. However, from a long-range point of view it is obvious that this would not be the case. To this extent the cost estimate for extended benefits over the long term may be overstated by about ½ million a year.

Table 1 gives the cost of the individual items in the proposed legislation excluding administrative expenses. Table 2 is a 5 year projection of the contributions, unemployment and sickness benefits, with an allowance for interest and administrative expenses. For purposes of the projection it was assumed that the starting balance in the RUIA account would be \$100 million as of June 1975. The average balance over the next 5 years in the account is \$55 million. Table 3 is a projection of employment and payrolls in the railroad industry.

TABLE 1.—COSTS OF H.R. 8714, JULY 1, 1975-JUNE 30, 1980

Costs of individual provisions	Benefit years					Average for 5-yr period
	1975-76	1976-77	1977-78	1978-79	1979-80	
Total.....	\$171.0	\$179.1	\$179.1	\$178.1	\$177.0	\$176.9
Percent ¹	(6.3)	(6.8)	(6.9)	(7.1)	(7.2)	(6.8)
1. Increasing the maximum daily benefit rate (excludes strikes).....	162.0	169.6	169.7	168.8	167.8	167.6
2. Payment for sickness after reducing the waiting period from 7 to 4 days.....	4.5	4.6	4.5	4.4	4.3	4.5
3. Payment of 13 weeks of extended unemployment benefits to employees with less than 10 yr of service ²	1.1	1.2	1.2	1.2	1.2	1.2
4. Reduction in the service for new entrants from 7 to 5 mo.....	2.4	2.7	2.7	2.7	2.7	2.6
5. Strike benefits after a 7 day waiting period.....	1.0	1.0	1.0	1.0	1.0	1.0

¹ Numbers in parenthesis are total costs as a percent of taxable payroll, but do not include an average of about 0.3 percent of taxable payroll for administrative expenses.

² Paid only when the rate of unemployment in either the national economy or the railroad industry is equal to or exceeds a specified rate.

TABLE 2.—PROJECTION OF ESTIMATED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE ACCOUNT BALANCES, BENEFIT YEARS 1976-80 FOR H.R. 8714

Benefit year	[In millions of dollars]				
	Taxable payroll	Employer contributions	RUIA benefits	Interest ¹	Balance in the RUIA account ² (\$100)
1975-76.....	2,714	120.1	171.0	4.5	55.4
1976-77.....	2,651	172.3	179.1	3.1	58.5
1977-78.....	2,588	168.2	179.1	3.2	57.3
1978-79.....	2,521	163.9	178.1	3.0	52.2
1979-80.....	2,460	165.9	177.0	2.8	49.7
Average.....	2,587	158.1	176.9	3.3	54.6

¹ Interest rate of 6 percent a year assumed.

² Employer contributions to the RUIA do not include 0.5 percent of taxable payroll for administrative expense. However, balances include transfers from the administrative expense account in excess of \$6,000,000.

TABLE 3.—PROJECTED TAXABLE PAYROLLS OF COVERED EMPLOYMENT UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT, CALENDAR YEARS 1975-80

[Dollar amounts in millions]

Calendar year	Average employment	Total payroll	Taxable payroll (\$400 monthly limit)
1975	579,000	\$8,971	\$2,730
1976	565,000	9,564	2,667
1977	551,000	10,078	2,604
1978	537,000	10,980	2,536
1979	524,000	11,564	2,476
1980	511,000	12,183	2,412

The report of the Railroad Retirement Board on H.R. 3823 and H.R. 5625 indicate that section 201 of Title II would involve no additional costs to the United States, and section 202 would involve a saving to the railroad retirement account of approximately \$3 million annually.

INFLATION IMPACT AND OVERSIGHT

Since the bill represents essentially transfer payments from the railroad industry to certain of its employees who are unemployed the committee feels that no inflationary impact is involved in the bill. In any event, the increased payments contained in the bill over those involved in existing law amount to \$90 million a year, which would have at most only a negligible inflationary impact.

No oversight findings or recommendations have been made to the committee by the Committee on Government Operations; therefore the House Rules do not require such findings and recommendations in this report.

PROVISIONS OF TITLE I

Maximum Benefit Level

The most significant feature of the agreed upon bill would increase the maximum daily benefit level from \$12.70 per day to \$24 per day for the benefit year beginning July 1, 1975, and ending June 30, 1976; and \$25 per day for the benefit year beginning July 1, 1976, and thereafter.

Under the bill, the daily rate of unemployment and sick benefits for registration periods beginning after June 30, 1975, but before July 1, 1976, would be equal to the smaller of \$24 per day or 60 percent of the employee's last daily rate of pay in the base period (but in no event less than \$12.70 per day). For registration periods beginning after June 30, 1976, the \$24 daily maximum figure would be increased to \$25.

Sickness Benefits

The seven day waiting period for sickness benefits in the first registration period of a benefit year under existing law would be reduced to four days. The agreed upon bill provides for payment of sickness benefits for each day of sickness in "a period of continuing sickness" after the employee has had four consecutive days of sickness in the registration period in which his spell of continuing sickness begins and for each day of sickness in excess of four during subsequent registration periods in which the specific sickness continues.

Unemployment Benefits During Strikes

The bill provides that during the first registration period in which an employee is unemployed as a result of a strike against his employer, he can receive unemployment benefits only for each day of unemployment in excess of seven. The effect of the amendment is to provide that no employee who is unemployed because of a strike, other than an illegal strike will be entitled to unemployment benefits unless and until the strike has lasted longer than seven days.

In an illegal strike, those employees not participating, nor deemed to be participating, in the strike will be entitled to benefits as provided in existing law. Those employees who are participating, or deemed to be participating in an illegal strike are, of course, not entitled to benefits under existing law or under the bill.

Extended Benefit Period

The bill will provide for extended unemployment benefits of 13 weeks for employees with less than 10 years of service. Extended benefit periods are currently available under existing law for employees with 10 years or more of service by virtue of the 1959 amendments. The agreed upon bill would make comparable provision covering unemployment benefits of employees with less than 10 years of service as a permanent feature of the Act. The bill provides that the new extended unemployment benefit period for employees with less than 10 years of service depends upon a trigger adapted from the triggers prescribed for extended benefits payable for days of unemployment under the Federal-State Extended Unemployment Compensation Program, i.e., a national trigger is "on" whenever the number of insured unemployment claimants in the nation exceeds 4%. This is a condition which has existed for some time and it is estimated will continue during the balance of this year and into the year 1976. Those with more than 10 years of service will continue to receive extended unemployment and sickness benefits entirely apart from any "triggering" mechanism.

Service Requirement for New Entrants

The agreed upon bill will reduce the service qualification requirement for new entrants in the railroad industry from 7 months to 5 months.

Subsidiary Remuneration

The definition of subsidiary remuneration has been increased from \$3 per day to \$10 per day. This refers to "subsidiary remuneration" derived from work which (1) requires substantially less than full time, as determined by generally prevailing standards, and (2) is susceptible of performance at such times and places which are consistent with the holding of a normal full time railroad position. The subsidiary remuneration can be used to compute the minimum \$1,000 base year earnings qualification requirement, but does not, of itself, disqualify an individual from receiving unemployment insurance benefits.

Funding

The agreed upon bill provides for adjustments in the carrier's contribution to the unemployment insurance fund in an amount to assure adequate funding of the new program.

PROVISIONS OF TITLE II

Section 201 of the bill would provide permanent appropriations of regular railroad retirement taxes and supplemental annuity taxes collected under the Railroad Retirement Tax Act to the Railroad Retirement Account and the Railroad Retirement Supplemental Account to pay for benefits provided by the Railroad Retirement Act of 1974. The bill would also add a new subsection to Section 15 of the Railroad Retirement Act of 1974 to authorize appropriations to cover expenses incurred by the Railroad Retirement Board in the administration of the Railroad Retirement Act of 1974.

The amendments proposed by the Section 201 would be effective January 1, 1975, which is the same day the Railroad Retirement Act of 1974 went into effect. Section 201 has no cost significance.

The regular railroad retirement program is today funded by taxes paid by the employees at the same rates and based upon the same taxable base as is the case with the Social Security Act. The full amount of these taxes, together with identical amounts collected from the carriers, is credited to the Social Security trust funds under the financial interchange program. The remainder of taxes collected from the railroads are deposited in the railroad retirement account and are devoted entirely to payment of benefits and administrative expenses under the Railroad Retirement Program.

Taxes to finance the railroad retirement supplemental pension program are paid entirely by the railroads.

Under the circumstances, the committee feels that these taxes should be credited directly to the railroad retirement program on a permanent basis. It is to be noted that permanent appropriations identical to those proposed in section 201 are now provided for the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, with respect to taxes collected under the Federal Insurance Contributions Act, by section 201 of the Social Security Act.

Section 202 would amend section 204 of Public Law 93-445 (the Railroad Retirement Act of 1974, enacted October 16, 1974) to provide that an individual who was awarded an annuity under Section 2(a) of the Railroad Retirement Act of 1937 will not be entitled to an annuity component computed under the provisions of Section 3(c) of the Railroad Retirement Act of 1974. This restriction would not apply either to individuals who after December 31, 1974, render at least 12 months of service as an employee for an employer (as defined in the Railroad Retirement Act of 1974) or to individuals who return to service for such an employer after December 31, 1974, after recovering from disabilities for which they had been awarded occupational or total and permanent disability annuities under the Railroad Retirement Act of 1937.

Section 3(c) of the Railroad Retirement Act provides an amount as a portion of certain employees' railroad retirement annuities which, although it is based on service performed prior to 1975, is available only to employees who have also engaged in railroad service after 1974. The amount of this annuity component is \$1.50 for each of the employee's first 10 years of service prior to January 1, 1975, plus \$1.00 for each year of the employees service prior to that date in excess of 10 years of service.

The amount thus provided by Section 3(c) of the Railroad Retirement Act of 1974 was, as a general matter, intended to be payable only to those who had not retired prior to January 1, 1975, the effective date of the Railroad Retirement Act of 1974. The amendment made by section 202 would put this restriction into the law. Such a restriction would prevent individuals from returning to the railroad industry and qualifying for the prior service component by performing a token amount of service after 1974; however, as indicated, the restrictions would not apply to individuals who perform at least 12 months of creditable service after 1974 or who were awarded disability annuities under the Railroad Retirement Act of 1937 but later recovered and returned to service after 1974. The amendment would be effective January 1, 1975, the same day that the Railroad Retirement Act of 1974 went into effect.

Section 203 deals with a situation where a railroad employee has self employment income, and his total compensation equals or exceeds the FICA maximum. In such a situation, the employee is required to pay tax on all or a part of his self employment income and, as a practical matter, derives no benefit from these taxes. Section 203(a) permits the employee to receive a refund of his FICA taxes to the extent that his railroad and nonrailroad compensation exceed the FICA wage base.

Section 203(b) corrects an oversight in last year's revision of the Railroad Retirement Tax Act, by providing that the term "compensation" shall not include remuneration received by employees of railway labor organizations, unless the amount thereof exceeds \$25.00 per month.

SECTION-BY-SECTION EXPLANATION OF THE BILL

Section 1(a)

The present provisions of section 1(h) of the Railroad Unemployment Insurance Act provide that a registration period for sickness benefit purposes is ended only by a lapse of 13 days after the date on which it began. As a result of the introduction of the continuing period of sickness concept by the amendments made by the second paragraph of section 1(o) of the bill, it is necessary, in order to fully accomplish the purposes of those amendments, that a new registration period for sickness benefit proposes be able to begin on the first day of any four consecutive days of sickness resulting from a new injury or illness. Accordingly, the amendments made to section 1(h) by section 1(a) of the bill would provide, in effect, that any existing sickness benefit registration period would terminate as of the day before the individual begins a new registration period based on a new "period of continuing sickness".

Section 1(b)

Section 1(b) of the bill would amend section 1(k) of the Railroad Unemployment Insurance Act to provide that the term "subsidiary remuneration" means remuneration not in excess of an average of \$10 a day (instead of \$3 a day) for the period with respect to which such remuneration is payable or accrues. In addition to meeting the dollar amount requirement, remuneration must, in order to be considered "subsidiary remuneration", be derived from work which (1)

requires substantially less than full time as determined by generally prevailing standards and (2) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation. The receipt of "subsidiary remuneration" will affect entitlement to unemployment or sickness benefits only in cases where such remuneration is necessary to enable the recipient to meet the minimum base year compensation (\$1,000) required to qualify him or her for benefits. The \$10 amount would be more realistic in view of present day wage scales as compared with those when the \$3 amount was fixed in 1958.

Section 1(c)

Under present law, an employee who engages in a strike is eligible for unemployment benefits on the same basis as an employee who is unemployed for some other reason (i.e., he can receive benefits for each day of unemployment in excess of four during a fourteen day registration period) so long as the strike was not commenced in violation of the provisions of the Railway Labor Act or in violation of the established rules and practices of the employee's labor organization. In addition, other employees who refuse to work because a strike is in progress are entitled to unemployment benefits regardless of the legality of the strike. The amendment made by the first paragraph of section 1(c) of the bill would provide that during the first registration period in which an employee was unemployed as a result of a particular strike against his employer, he could receive unemployment benefits only for each day of unemployment in excess of seven. This limitation would apply not only to those on strike and those refusing to work because of the strike but also to any other employees of that employer who are unable to work, regardless of their willingness to work, because a strike is in progress. For example, if a strike is commenced against a particular employer and that employer decides to cease all operations while the strike is in progress, all employees of that employer, except those who were already unemployed when the strike commenced, would be subject to the "waiting period" provided by the amendment in question. The "waiting period" would be applicable during the first registration period of each strike commenced against a particular employer. The effect of this amendment would be to provide that no employee who is unemployed because of a strike, other than an illegal strike subject to section 4(a-2)(iii), would be entitled to unemployment benefits unless and until the strike has lasted longer than seven days. The present disqualification contained in section 4(a-2)(iii), would continue the disqualification of members of the class or craft participating in an illegal strike. Members of classes and crafts not participating in the illegal strike but who are unemployed in consequence thereof will continue to receive unemployment benefits without change from existing law.

Sickness benefits are payable under present law to an individual only after he has had seven or more days of sickness during one fourteen day registration period in a particular benefit year. Thereafter, sickness benefits are payable for any day of sickness in excess of four during a subsequent registration period in the same benefit year. The amendment made by the second paragraph of section 1(c) of the bill would provide for the payment of sickness benefits for each day of

sickness in a "period of continuing sickness" after the individual has had four consecutive days of sickness in the registration period in which the "period of continuing sickness" began and for each day of sickness in excess of four during subsequent registration periods in which the "period of continuing sickness" continues. A "period of continuing sickness" is defined to mean either (1) a period of consecutive days of sickness, whether from one or more causes, or (2) a period of successive days of sickness due to a single cause without interruption of more than 90 consecutive days which are not days of sickness. Thus, if, for example, an individual injures his back and is unable to work, he would begin receiving sickness benefits after the first four consecutive days in which he is unable to work because of that injury. If he went back to work after the seventh day (or after any other day subsequent to the fourth day) but found, after two days (or any other number of days up to 91), that he was unable to continue because of his back injury, his "period of continuing sickness" would still be in effect, and he could receive sickness benefits without again satisfying the four consecutive days requirement.

However, if, after returning to work for one day the individual injured his foot (or contracted an illness) and was unable to work as a result of this new cause, his previous "period of continuing sickness" would have terminated, and he would have to again be unable to work for a period of over four consecutive days before he could receive sickness benefits. If, on the other hand, that same individual, while off from work due to his back injury, had become ill before returning to work, his "period of continuing sickness" would not have terminated, and he could receive sickness benefits because of his illness even though his back injury might have improved to the extent that he could have returned to work had he not become ill. It should also be noted that if an individual were to be unable to work for three consecutive days due to one cause (e.g., a back injury) and, before returning to work, were to be unable to work for another two consecutive days due to another cause (e.g., a cold), he could receive sickness benefits for one day because he would have had more than four consecutive days of sickness during a period of continuing sickness. Furthermore, if that same individual were then to return to work for one day after which he was again unable to work for two days as a result of his back injury, he would be eligible to receive sickness benefits for those two days because, having satisfied the four consecutive days of sickness requirement, he would have had a "period of successive days of sickness due to a single cause (i.e., the back injury) without interruption of more than ninety consecutive days which are not days of sickness".

Section 1(c)(2) of the bill would increase the daily benefit rates, which were fixed at their present levels by amendments enacted early in 1963. The basic benefits are now provided by a table which sets out ten levels of base year compensation and corresponding daily benefit rates starting at \$3.00, payable to those with the minimum qualifying base year compensation, and rising to a maximum of \$12.70, which is reached by those who received base year compensation totalling \$4,000 or more. In addition, a proviso in section 2(a) of the Act provides that the daily benefits payable cannot be less than the smaller of the table maximum (\$12.70) or 60 percent of the beneficiary's last

daily rate of pay in the base period. The amendment made by section 1(c)(2) would eliminate the present table and proviso minimum and would, in their place, provide a daily rate of unemployment and sickness benefits, for registration periods beginning after June 30, 1975, but before July 1, 1976, equal to the smaller of \$24.00 or 60 percent of the beneficiary's last daily rate of pay in the base period (but not less than \$12.70). For registration periods beginning after June 30, 1976, the \$24.00 figure would be increased to \$25.00.

Section 1(d)

Section 2(c) of the Railroad Unemployment Insurance Act now provides that a qualified employee can receive normal unemployment benefits for up to a maximum of 130 days during a particular benefit year, but the total amount of such benefits cannot exceed the employee's compensation in the base year. The same maximums are applicable to the receipt of sickness benefits. As a result of the increase in daily benefit rates provided by section 1(c)(2) of the bill, the base year compensation maximum would have a much greater impact as a limiting factor on the length of time over which normal unemployment and sickness benefits can be paid, since there would be no increase in the maximum amount of an employee's compensation (\$400 a month) which can be taken into account in determining the base year compensation. In order to prevent this maximum from becoming more of a limiting factor than is desired, the amendment made to the first proviso of section 2(c) of the Act by section 1(d)(1) of the bill provides that any compensation which the employee received in the base year up to a maximum of \$775 (rather than \$400) a month will be considered in applying the base year compensation maximum. This amendment would also be applicable in determining the base year compensation maximum contained in the new proviso which would be added to section 2(c) by section 1(d)(2) of the bill. That new proviso would provide extended unemployment benefits in certain cases but would limit the total amount of such extended benefits payable to a particular employee to 50 percent of the employee's base year compensation.

In addition to the normal unemployment and sickness benefits payable under the Act, the present second proviso of section 2(c) (this proviso would become the third proviso if the amendments made by section 1(d)(2) of the bill are enacted) provides an extended benefit period for otherwise-qualified employees who have 10 or more years of service creditable under the Railroad Retirement Act and have exhausted their rights to normal benefits. Employees who have 10 but less than 15 years of service can receive up to an additional 65 benefit days for each type of benefit (i.e., unemployment benefits and sickness benefits), and employees with 15 or more years of service can receive each type of benefit for up to a maximum of an additional 130 benefit days. The amendment made by the second paragraph of section 1(d) of the bill would provide an extended benefit period for otherwise-qualified employees with less than 10 years of service creditable under the Railroad Retirement Act. As in the case of extended benefits for employees who have 10 but less than 15 years of service, an extended benefit period for an employee with less than 10 years of service would begin after rights to normal benefits had been exhausted and would provide benefits for up to a maximum of an additional 65 days.

Unlike the case of extended benefits to those with 10 or more years of service: (1) the employee with less than 10 years of service could receive only unemployment benefits during an extended benefit period—no provision is made for an extended benefit period for sickness benefit purposes; (2) an extended benefit period for an employee with less than 10 years of service could begin only during a period of "high unemployment" in the railroad industry; and (3) the total amount of unemployment benefits payable to an employee with less than 10 years of service in an extended benefit period could not exceed 50 percent of his base year compensation (as determined in accordance with the amended first proviso of section 2(c) of the Act). These limitations are patterned after limitations on extended benefits payable for days of unemployment under the Federal-State Extended Unemployment Compensation Program. A new section 2(h) of the Act (which would be added by section 1(c) of the bill) would contain provisions for determining when an extended unemployment benefit period could begin for an employee with less than 10 years of service and for determining the duration of the extended benefit period in a particular case. The operation of these provisions is an adaptation to the railroad industry of the "trigger" provision of the Federal-State Extended Unemployment Compensation Program.

Section 1(c)

As stated above, the new subsection 2(h) of the Act, added by section 1(c) of the bill, would provide when an extended benefit period could begin for an employee with less than 10 years of service and would also provide the duration of such a period in a particular case. Pursuant to the provisions of subdivision (1), an extended benefit period would begin for a particular employee on his first day of unemployment within a "period of high unemployment" after the employee has exhausted his rights to normal unemployment benefits. Once begun, the extended benefit period would continue for seven consecutive registration periods (a total of 98 calendar days), regardless of the number of days in which the employee was unemployed during that period and regardless of whether or not the "period of high unemployment" continued to be in effect. As in the case of an extended benefit period for an employee with 10 or more years of service: (1) a general benefit year, which normally ends on June 30, would be extended until the last day of any extended benefit period which began during the general benefit year, and (2) an employee who is not qualified for benefits in a particular general benefit year could begin an extended benefit period based on his base year compensation for the last preceding general benefit year, but only if he was qualified for benefits in that preceding general benefit year—for this purpose the preceding general benefit year is extended until the last day of the extended benefit period.

Subdivisions (2) and (3) of section 2(h) provide the method for determining when a "period of high unemployment" is in existence—as remarked above, such method is an adaptation to the railroad industry of the "trigger" provisions of the Federal-State Extended Unemployment Compensation Program (sections 203(d) and (f)(1) of Public Law 91-373, 84 Stat. 710). A "period of high unemployment" begins 20 days after either the national "on" indicator becomes effec-

tive or after a 3 consecutive month period in each month of which the "rate of railroad unemployment" equals or exceeds the level necessary to trigger a national "on" indicator for purposes of the Federal-State Extended Unemployment Compensation Program—under the provisions of the Emergency Unemployment Compensation Act of 1974, this level is 4 percent of insured unemployment during the years 1975 and 1976. Similarly, a period of high unemployment ends 20 days after a 3 consecutive month period in each month of which the "rate of railroad unemployment" is at a level which would trigger a national "off" indicator under the aforementioned Program and the national "off" indicator have become effective. The method of determining the "rate of railroad unemployment" for a particular month is patterned after the method used for purposes of the Federal-State Unemployment Compensation Program, using railroad industry data and a railroad indicator in place of the State data and indicator, used thereunder.

The Board would make all determinations required to implement the provisions of section 2(h) and would cause notice of the beginning or ending of a "period of high unemployment" as well as notice of certain formulas used in its determination to be published in the Federal Register.

Section 1(f)

Section 3 of the Railroad Unemployment Insurance Act now provides that an employee who has not engaged in employment covered under the Act at any time prior to the base year is not entitled to benefits unless he earned compensation in at least seven months of that base year. Section 1(f) of the bill would lower the requirement from seven months to five months.

Section 1(g)

Section 1(g) of the bill would amend section 8(a) of the Railroad Unemployment Insurance Act to provide a revised schedule of contribution rates which would be paid by employers to support the unemployment and sickness benefit programs. The new schedule would require an 8 percent contribution rate if the balance in the railroad unemployment insurance account was less than 50 million dollars, a 7 percent contribution if the balance in the account was at least \$50 million but less than \$100 million, a 5.5 percent contribution rate if the balance in the account was at least \$100 million but less than \$200 million, a 4 percent contribution rate if the balance in the account was at least \$200 million but less than \$300 million, and a ½ percent contribution rate if the balance in the account was \$300 million or more. By way of contract, the present contribution rate schedule provides for a 4 percent contribution rate whenever the balance in the account is less than \$300 million, and the rate drops to 1½ percent only if the balance in the account is \$450 million or more. The balance in the account as of September 30 of a particular year will continue to determine the contribution rate for the following calendar year. The balance in the account as of September 30, 1974, was approximately \$89 million. However, since the revised schedule would first become effective with respect to compensation paid for services rendered after December 31,

1975, the present rates would continue to be applicable until 1976, when the new rate would be determined on the basis of the balance in the account as of September 30, 1975.

Section 1(h)

Section 1(h) of the bill would amend section 8(b) of the Act to change an employee representative's contribution rate from the present flat 4 percent to whatever percentage is determined to be applicable to employers as the balance in the railroad unemployment insurance account changes. Although the change would technically be effective with respect to compensation paid for services rendered after December 31, 1975, it would have no practical effect at this time because the entire section 8(b) has standby significance only. While employee rep- they are currently, pursuant to the provisions of section 1(g) of the Act, neither subject to contributions nor entitled to benefits.

Sections 1(i) (1) and 1(j)

An amount equal to 0.25 percent of the total compensation subject to contributions under the Act is automatically deposited in the railroad unemployment insurance administration fund to defray the costs of administering the unemployment and sickness benefit programs. Any amount in the fund in excess of \$6 million on June 30 of each year is transferred to the railroad unemployment insurance account. As long as the contributions base remains at \$400 per month, the amount that will become available for administration will decrease if railroad employment decreases, as has been the case in most recent years. At the same time, administrative costs will tend to increase because of wage and price increases. Accordingly, in order to eliminate the danger that the funds available for the payment of administrative expenses might be inadequate, the amendments made by sections 1(i)(1) and 1(j) of the bill provide that the amount deposited in the administration fund would be increased from 0.25 percent to 0.5 percent of taxable payroll.

Section 1(i) (2)

This section would eliminate reference to subsection (h) of section 10, which prior to 1975 provided for certain financial interchange between the railroad unemployment insurance account and the railroad retirement account. Such interchange was eliminated by the Railroad Retirement Act amendments of 1974.

Section 2

Section 2 provides the effective dates of the various amendments made by section 1 of the bill. Section 2(c) provides that any additional payments because of the increase in the maximum daily benefit rate paid between July 1 and the enactment date of this Act will be paid to the insurer or employer, if self-insured, in the case of employees who receive supplemental benefits for such period from the insurance company or employer as the case may be. The reimbursement will be limited so that the employee will have received in benefits and supplemental benefits the amount he would have been entitled to if the increase was paid prior to enactment of this Act.

AGENCY REPORTS

Because of the lack of time, no reports have been received on H.R. 8714; however, the Committee wishes to point out that the program contained in the bill will be funded entirely by the railroad industry, and is recommended by both railroad labor and railroad management.

Since section 201 of the bill contains provisions initially set forth in H.R. 3283, and section 202 contains provisions originally set forth in H.R. 5625, agency reports on those two bills are included herewith.

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., April 16, 1975.

HON. HARLEY O. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce, Room
2125 Rayburn House Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: This is the report of the Railroad Retirement Board on the bill H.R. 3283 which you introduced for yourself and Mr. Devine on February 19, 1975. This bill was introduced at the request of the Board, is being supported by railroad labor and management, and has been cleared with the Office of Management and Budget and the Department of the Treasury who have no objections to it.

H.R. 3283 would amend Section 15(a) and 15(c) of the Railroad Retirement Act of 1974 to provide permanent appropriations of regular railroad retirement taxes and supplemental annuity taxes collected under the Railroad Retirement Tax Act to the Railroad Retirement Account and the Railroad Retirement Supplemental Account to pay for benefits provided by the Railroad Retirement Act of 1974. The bill would also add a new subsection to Section 15 of the Railroad Retirement Act of 1974 to authorize appropriations to cover expenses incurred by the Railroad Retirement Board in the administration of the Railroad Retirement Act of 1974.

The amendments proposed by H.R. 3283 would be effective January 1, 1975, which is the same day the Railroad Retirement Act of 1974 went into effect. The bill has no cost significance.

VIEWS OF THE BOARD

The Railroad Retirement Board considers the amendments proposed by H.R. 3283 to be necessary and urgent. Title V of Public Law 452, 82d Cong., 2d sess., 1952 (66 Stat. 358, 371), provides for the continuing annual credit of regular railroad retirement taxes to the Railroad Retirement Account for purposes of the Railroad Retirement Acts of 1935 and 1937. Section 15(b) of the Railroad Retirement Act of 1937 provided such a permanent appropriation of tax collections with respect to the supplemental annuity program. In view of the recent enactment into law of the Railroad Retirement Act of 1974, replacing the 1937 Act, enactment of H.R. 3283 is considered necessary to insure that the continuing annual appropriations to the accounts will not be interrupted. It is to be noted that permanent appropriations identical to those proposed in H.R. 3283 are now provided for the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, with respect to taxes collected under the Fed-

eral Insurance Contributions Act, by section 201 of the Social Security Act.

In view of the importance of the amendments proposed by H.R. 3283, the Railroad Retirement Board urges that favorable consideration be given to the bill.

Because of the short time between the introduction of the bill and the setting up of the hearings, there has been no opportunity to submit this report for clearance to the Office of Management and Budget. Copies of this report are being sent to that office immediately.

Sincerely yours,

R. F. BUTLER, *Secretary.*

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., April 16, 1975.

HON. HARLEY O. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce, Room
2125, Rayburn House Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: This is the report of the Railroad Retirement Board on H.R. 5625 which you introduced on March 26, 1975.

The bill would amend section 204 of Public Law 93-445 (the Railroad Retirement Act of 1974, enacted October 16, 1974) to provide that an individual who was awarded an annuity under Section 2(a) of the Railroad Retirement Act of 1937 will not be entitled to an annuity component computed under the provisions of Section 3(c) of the Railroad Retirement Act of 1974. This restriction would not apply either to individuals who after December 31, 1974, render at least 12 months of service as an employee for an employer (as defined in the Railroad Retirement Act of 1974) or to individuals who return to service for such an employer after December 31, 1974, after recovering from disabilities for which they had been awarded occupational or total and permanent disability annuities under the Railroad Retirement Act of 1937.

Section 3(c) of the Railroad Retirement Act provides an amount as a portion of certain employees' total railroad retirement annuities which, although it is based on service performed prior to 1975, is available only to employees who have also engaged in railroad service after 1974. The amount of this annuity component is \$1.50 for each of the employee's first 10 years of service prior to January 1, 1975, plus \$1.00 for each year of the employee's service prior to that date in excess of 10 years of service.

The amount thus provided by Section 3(c) of the Railroad Retirement Act of 1974 was, as a general matter, intended to be payable only to those who had not retired prior to January 1, 1975, the effective date of the Railroad Retirement Act of 1974. The amendment made by H.R. 5625 would put this restriction into the law. Such a restriction would prevent individuals from returning to the railroad industry and qualifying for the prior service component by performing a token amount of service after 1974; however, as indicated, the restrictions would not apply to individuals who perform at least 12 months of creditable service after 1974 or who were awarded disability annuities under the

Railroad Retirement Act of 1937 but later recovered and returned to service after 1974. The amendment would be effective January 1, 1975, the same day that the Railroad Retirement Act of 1974 went into effect.

EFFECTS ON THE FINANCIAL CONDITION OF THE SYSTEM

It is estimated that enactment of H.R. 5625 would save the railroad retirement system approximately .05 percent of payroll or \$3 million per year on a level basis. Expressed at a present value, the savings amounts to about \$50 million. This estimate is necessarily rough. It is difficult to predict what proportion of already-retired annuitants would return to service for a short time for the purpose of qualifying for the additional amount if the bill were not enacted.

VIEWS OF THE BOARD

At the time the Railroad Retirement Act of 1974 was enacted, the general understanding was that the annuity component provided under Section 3(c) of that Act would not accrue to individuals who were fully retired prior to January 1, 1975, the day the Act went into effect. H.R. 5625 would conform the law to that understanding by preventing certain individuals, who may be in the position to take advantage of the present law, from reaping an unfair and unintended gain on the basis of a token amount of additional service, perhaps as little as one day. Accordingly, the Railroad Retirement Board recommends that H.R. 5625 be given favorable action.

Because of the short time between the introduction of the bill and the setting up of the hearings, there has been no opportunity to submit the report for clearance of the Office of Management and Budget. Copies of this report are being sent to that office immediately.

Sincerely yours,

R. F. BUTLER, *Secretary.*

CHANGES IN EXISTING LAW MADE BY THE BILL, AS AMENDED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

RAILROAD UNEMPLOYMENT INSURANCE ACT

AN ACT To regulate interstate commerce by establishing an unemployment insurance system for individuals employed by certain employers engaged in interstate commerce, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

(a) * * * *

* * * * *

(h) The term "registration period" means, with respect to any employee, the period which begins with the first day for which such employee registers at an employment office in accordance with such regulations as the Board may prescribe, and ends with whichever is the earlier of (i) the thirteenth day thereafter, or (ii) the day immediately preceding the day for which he next registers at a different employment office; and thereafter each period which begins with the first day for which he next registers at an employment office after the end of his last preceding registration period which began with a day for which he registered at an employment office and ends with whichever is the earlier of (i) the thirteenth day thereafter, or (ii) the day immediately preceding the day for which he next registers at a different employment office.

The term "registration period" means also, with respect to any employee, the period which begins with the first day with respect to which a statement of sickness for a "period of continuing sickness" (as defined in section 2(a) of this Act) is filed in his behalf in accordance with such regulations as the Board may prescribe, or the first such day after the end of a registration period which will have begun with a day with respect to which a statement of sickness for a "period of continuing sickness" (as defined in section 2(a) of this Act) was filed in his behalf, and ends with [the thirteenth day thereafter] whichever is the earlier of (i) the thirteenth day thereafter, or (ii) the day immediately preceding the day with respect to which a statement of sickness for a new "period of continuing sickness" (as defined in section 2(a) of this Act) is filed in his behalf.

* * * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; (2) a "day of sickness", with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health, and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe: *Provided, however,* That "subsidiary remuneration", as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidiary remuneration, is less than \$1,000: *Provided further,* That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the first of such two days, and any individual who takes work for such working day shall not by reason thereof be deemed not available for work on the second of such calendar days: *Provided further,* That any calendar day on which no remuneration is payable to or accrues to an

employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

For the purpose of this subsection, the term "subsidiary remuneration" means, with respect to any employee, remuneration not in excess of an average of [three] ten dollars a day for the period with respect to which such remuneration is payable or accrues, if the work from which the remuneration is derived (i) requires substantially less than full time as determined by generally prevailing standards, and (ii) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation.

* * * * *

BENEFITS

SEC. 2. (a) Benefits shall be payable to any qualified employee [(i) for each day of unemployment in excess of four during any registration period, and (ii) for each day of sickness in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more such days of sickness, and for each such day of sickness in excess of four during any subsequent registration period in the same benefit year] for each day of unemployment in excess of four during any registration period: *Provided, however, That notwithstanding the provisions of section 1(h) of this Act, in any case in which the Board finds that his unemployment was due to a stoppage or work because of a strike in the establishment, premises, or enterprise at which he was last employed, other than a strike subject to the disqualification in section 4(a-2) (iii), none of the first seven days of unemployment due to such stoppage of work shall be included in any registration period; and subject to the registration provisions of section 1(h), so many of the ensuing seven consecutive calendar days during which his unemployment continues to be caused by such stoppage of work shall constitute a registration period, during which benefits shall be payable for each day of unemployment. Benefits shall be payable to any qualified employee for each day of sickness after the fourth consecutive day of sickness in a period of continuing sickness, but excluding four days of sickness in any registration period. A period of continuing sickness means (i) a period of consecutive days of sickness, whether from one or more causes, or (ii) a period of successive days of sickness due to a single cause without interruption of more than ninety consecutive days which are not days of sickness.*

[The benefits payable to any such employee for each such day of unemployment or sickness shall be the amount appearing in the following table in Column II on the line on which, in column I, appears the compensation range continuing his total compensation with respect to employment in his base year:

Column I, total compensation:	Column II Daily Benefit Rate
\$1,000 to \$1,299.99	\$8.00
\$1,300 to \$1,599.99	8.50
\$1,600 to \$1,899.99	9.00
\$1,900 to \$2,199.99	9.50
\$2,200 to \$2,499.99	10.00
\$2,500 to \$2,799.99	10.50
\$2,800 to \$3,099.99	11.00
\$3,100 to \$3,499.99	11.50
\$3,500 to \$3,999.99	12.00
\$4,000 and over	12.70

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 60 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed \$12.70. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.]

The daily benefit rate with respect to any such employee for such day of unemployment or sickness shall be in an amount equal to 60 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, but not less than \$12.70: Provided, however, that for registration periods beginning after June 30, 1975, but before July 1, 1976, such amount shall not exceed \$24 per day of such unemployment or sickness and that for registration periods beginning after June 30, 1976, such amount shall not exceed \$25 per day of such unemployment or sickness. The daily rate of compensation referred to in this paragraph shall be determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.

In computing benefits to be paid, days of unemployment shall not be combined with days of sickness in the same registration period.

(b) The benefits provided for in this section shall be paid to an employee at such reasonable intervals as the Board may prescribe.

(c) The maximum number of days of unemployment within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty, and the maximum number of days of sickness within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty: *Provided, however, That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; and the total amount of benefits which may be paid to an employee for days of sickness within a benefit year shall in no case exceed the employee's compensation in the base year except that notwithstanding the provisions of section 1(i) of this Act, in determining the employee's compensation in the base year for purposes of this proviso and the second proviso of this subsection, any money remuneration paid to the employee for services*

rendered as an employee not in excess of \$775 in any month shall be taken into account: Provided further, That, with respect to an employee who has less than ten years of service as defined in section 1 (f) of the Railroad Retirement Act of 1974, who did not voluntarily retire and did not voluntarily leave work without good cause, and who had current rights to normal benefits for days of unemployment in a benefit year but has exhausted such rights, the maximum number of days of, and amount of payment for, unemployment within such benefit year (as extended by the provisions of subsection (h) of this section) for which benefits may be paid shall be enlarged, but not by more than sixty-five days, to include all compensable days of unemployment within an extended benefit period determined pursuant to the provisions of subsection (h) of this section, but the total amount of benefits which may be paid to an employee for days of unemployment within such extended benefit period shall in no case exceed 50 per centum of the employee's compensation in the base year: And provided further, That, with respect to an employee who has ten or more years of service as defined in section 1 (f) of the Railroad Retirement Act of 1974, who did not voluntarily retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause, and who had current rights to normal benefits for days of unemployment or days of sickness in a benefit year but has exhausted such rights, the benefit year in which such rights are exhausted shall be deemed not to be ended until the last day of the extended benefit period determined under the following schedule, and the maximum number of days of, and amount of payment for, unemployment or sickness (depending on the type of benefit rights exhausted) within such benefit year for which benefits may be paid to the employee shall be enlarged to include all compensable days of unemployment or days of sickness, as the case may be, within such extended benefit period:

The extended benefit period shall begin on the first day of unemployment or sickness, as the case may be, following the day on which the employee exhausted his then current rights to normal benefits for days of unemployment or days of sickness and shall continue for successive fourteen-day periods (each of which periods shall constitute a registration period) until the number of such fourteen-day periods totals—

If the employee's "years of service" total—		
10 and less than 15-----	7	(but not more than 65 days)
15 and over-----	13	

but no such extended benefit period shall extend beyond the beginning of the first registration period in a benefit year in which the employee is again qualified for benefits in accordance with section 3 of this Act on the basis of compensation earned after the first of such successive fourteen-day periods has begun. For an employee who has ten or more years of service, who did not voluntarily retire and (in a case involving unemployment) did not voluntarily leave work without good cause, who has fourteen or more consecutive days of unemployment, or fourteen or more consecutive days of sickness, and who is not a "qualified employee" for the general benefit year current when such unemployment or sickness commences but is or becomes a "qualified employee" for the next succeeding general benefit year, such succeeding benefit

year shall, in his case, begin on the first day of the month in which such unemployment or sickness commences. Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection, the Board may rely on evidence of age available in its records and files at the time determinations of age are made.

(h) (1) For purposes of the second proviso of subsection (c) of this section, an extended benefit period, with respect to an employee, shall begin on the first day of unemployment within a period of high unemployment following the day on which the employee exhausted his then current rights to normal benefits for unemployment and shall continue for seven successive fourteen-day periods (each of which periods shall constitute a registration period). If the general benefit year in which an employee's extended benefit period began ends within such extended benefit period, such benefit year shall, in the case of such employee, be deemed not to be ended until the last day of the extended benefit period. If an employee unemployed within a period of high unemployment is not a "qualified employee" for the general benefit year then current but was a "qualified employee" for the preceding general benefit year, such preceding general benefit year shall, for purposes of the second proviso of subsection (c) of this section, in the case of such employee, be deemed not to be ended until the last day of such employee's extended benefit period determined pursuant to the provisions of this subsection.

(2) For purposes of subdivision (1) of this subsection, a "period of high unemployment" shall begin with the twentieth day after whichever of the following first occurs: (A) there is a national "on" indicator as defined in section 203(d) of Public Law 91-373, as amended, or (B) a period of three consecutive calendar months in which, for each month included in such period, the rate of railroad unemployment (seasonally adjusted) equalled or exceeded the lowest applicable unemployment rate specified for the national "on" indicator in section 203(d) of Public Law 91-373, as amended, and shall end with the twentieth day after both of the following occur: (A) there is a national "off" indicator as defined in section 203(d) of Public Law 91-373, as amended, and (B) a period of three consecutive calendar months, in which, for each month included in such period, the rate of railroad unemployment (seasonally adjusted) was less than the lowest applicable unemployment rate specified for the national "off" indicator in section 203(d) of Public Law 91-373, as amended.

(3) For purposes of subdivision (2) of this subsection, the term "rate of railroad unemployment" for a month means the percentage arrived at by dividing (A) the average weekly number of individuals

who filed bona fide claims for benefits for days of unemployment in such month, excluding from such number those individuals whose unemployment was due to a stoppage of work because of a strike, lock-out, or other labor dispute, by (B) the average midmonth count of employees of class I railroads and class I switching and terminal companies, as reported to the Interstate Commerce Commission, adjusted as determined by the Board, to include all employees covered by this Act for the twelve months ending with the second calendar quarter preceding such month.

(4) Determinations under this subsection shall be made by the Board in accordance with regulations prescribed by it. When a determination has been made that a "period of high unemployment" is beginning or ending, the Board shall cause notice of such determination to be published in the Federal Register. The Board shall also cause to be published in the Federal Register the formula which it uses to adjust the mid-month count of employees of class I railroads and class I switching and terminal companies to include all employees covered by this Act, and the formula it uses to make seasonal adjustments in the rate of railroad unemployment.

QUALIFYING CONDITION

SEC. 3. An employee shall be a "qualified employee" if the Board finds that his compensation will have been not less than \$1,000 with respect to the base year, and, if such employee has had no compensation prior to such year, that he will have had compensation with respect to each of not less than [seven] five months in such year.

* * * * *

CONTRIBUTION

SEC. 8. (a) Every employer shall pay a contribution, with respect to having employees in his service, equal to the percentage determined as set forth below of so much of the compensation as is not in excess of \$300 for any calendar month paid by him to any employee for services rendered to him after June 30, 1939, and before July 1, 1954, and is not in excess of \$350 for any calendar month paid by him to any employee for services rendered to him after June 30, 1954, and before June 1, 1959, and is not in excess of \$400 for any calendar month paid by him to any employee for services rendered to him after May 31, 1959: *Provided, however,* That if compensation is paid to an employee by more than one employer with respect to any such calendar month, the contributions required by this subsection shall apply to not more than \$300 for any month before July 1, 1954, and to not more than \$350 for any month after June 30, 1954, and before June 1, 1959, and to not more than \$400 for any month after May 31, 1959, of the aggregate compensation paid to said employee by all said employers with respect to such calendar month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the contribution with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services during any calendar month after 1946 bear to the total compensation paid

by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than \$300 if such month is before July 1, 1954, or less than \$350 if such month is after June 30, 1950, and before June 1, 1959, or less than \$400 if such month is after May 31, 1959, each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional contribution as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid prior to January 1, 1948, the rate shall be 3 per centum;
2. With respect to compensation paid after the month in which this Act was amended in 1959, the the rate shall be as follows:

If the balance to the credit of the railroad unemployment insurance account as of the close of business on September 30 of any year, as determined by the Board, is:	The rate with respect to compensation paid during the next succeeding calendar year shall be:
	Percent
\$450,000,000 or more-----	1½
\$400,000,000 or more but less than \$450,000,000-----	2
\$350,000,000 or more but less than \$400,000,000-----	2½
\$300,000,000 or more but less than \$350,000,000-----	3
Less than \$300,000,000-----	4
\$300,000,000 or more-----	0.5
\$200,000,000 or more but less than \$300,000,000-----	4.0
\$100,000,000 or more but less than \$200,000,000-----	5.5
\$50,000,000 or more but less than \$100,000,000-----	7.0
Less than \$50,000,000-----	8.0

As soon as practicable following the enactment of this Act, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30, 1947, and on or before December 31 of 1948 and of each succeeding year, the Board shall determine and proclaim the balance to the credit of the account as of the close of business on September 30, of such year; and in determining such balance as of September 30 of any year, the balance to the credit of the railroad unemployment insurance administration fund as of the close of business on such date shall be deemed to be a part of the balance to the credit of such account.

(b) Each employee representative shall [pay, with respect to his income, a contribution equal to 4 per centum of so much of the compensation of such employee representative as is not in excess of \$300 for any calendar month, paid to him for services performed as an employee representative after June 30, 1939, and before July 1, 1954, and as is not in excess of \$350 paid to him for services rendered as an employee representative in any calendar month after June 30, 1954, and before June 1, 1959, and as is not in excess of \$400 paid to him for services rendered as an employee representative in any calendar month after May 31, 1959.] pay a contribution with respect to so much of the compensation paid to him for services performed as an employee representative during any month after December 1975 as is not, for any

such calendar month, in excess of \$400, at the rate applicable to employers in accordance with subsection (a) of this section. The compensation of an employee representative and the contribution with respect thereto shall be determined in the same manner and with the same effect as if the employee organization by which such employee representative is employed were an employer as defined in this Act.

RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

SEC. 10. (a) The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance account. This account shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as is in excess of **[0.25]** 0.5 per centum of the total compensation on which such contributions are based, together with all interest collected pursuant to section 8(g) of this Act; (ii) all amounts transferred or paid into the account pursuant to section 13 or section 14 of this Act **[and pursuant to subsection (h) of this section]**; (iii) all additional amounts appropriated to the account in accordance with any provision of this Act or with any provision of law now or hereafter adopted; (iv) a proportionate part of the earnings of the unemployment trust fund, computed in accordance with the provisions of section 904(e) of the Social Security Act; (v) all amounts realized in recoveries for overpayments or erroneous payments of benefits; (vi) all amounts transferred thereto pursuant to section 11 of this Act; (vii) all fines or penalties collected pursuant to the provisions of this Act; and (viii) all amounts credited thereto pursuant to section 2(f) or section 12(g) of this Act. Notwithstanding any other provision of law, all moneys credited to the account shall be mingled and undivided, and are hereby permanently appropriated to the Board to be continuously available to the Board without further appropriation, for the payment of benefits and refunds under this Act, and no part thereof shall lapse at any time, or be carried to the surplus fund or any other fund.

RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND

SEC. 11. (a) The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance administration fund. This unemployment insurance administration fund shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as equals **[0.25]** 0.5 per centum of the total compensation on which such contributions are based; (ii) all amounts advanced to the fund by the Secretary of the Treasury pursuant to this section; (iii) all amounts appropriated by subsection (b) of this section; and (iv) such additional amounts as Congress may appropriate for expenses necessary or incidental to administering this Act. Such additional amounts are hereby authorized to be appropriated.

* * * * *

SECTION 15 OF THE RAILROAD RETIREMENT ACT OF 1974

RAILROAD RETIREMENT ACCOUNT

SEC. 15. (a) The Railroad Retirement Account established by section 15(a) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby **[authorized to be]** appropriated to such Account for each fiscal year, beginning with the fiscal year ending June 30, 1975, to provide for the payment of benefits to be made from such Account in accordance with the provisions of section 7(c)(1) of this Act, and to provide for expenses necessary for the Board in the administration of all provisions of this Act, an amount equal to amounts covered into the Treasury (minus refunds) during each fiscal year under the Railroad Retirement Tax Act, except those portions of the amounts covered into the Treasury under sections 3211(b), 3221(c), and 3221(d) of such Tax Act as are necessary to provide sufficient funds to meet the obligation to pay supplemental annuities at the level provided under section 3(e) of this Act and, with respect to those entitled to supplemental annuities under section 205(a) of title II of this Act, at the level provided under section 205(a). The Board is directed to determine what portion of the taxes collected under sections 3211(b), 3221(c), and 3221(d) of the Railroad Retirement Tax Act is to be credited to the Railroad Retirement Account pursuant to the preceding provisions of this subsection and what portion of such taxes is to be credited to the Railroad Retirement Supplemental Account pursuant to the provisions of subsection (c) of this section. The Board shall make such a determination with respect to each calendar quarter commencing with the quarter beginning January 1, 1975, shall make each such determination not later than fifteen days before each calendar quarter, and shall, as soon as practicable after each such determination, advise the Secretary of the Treasury of the determination made. The Secretary of the Treasury shall credit the amounts covered into the Treasury under sections 3211(b), 3221(c), and 3221(d) of the Railroad Retirement Tax Act to the Railroad Retirement Account and the Railroad Retirement Supplemental Account in such proportions as is determined by the Board pursuant to the provisions of this subsection.

(b) In addition to the amount **[authorized to be]** appropriated in subsection (a) of this section, there is hereby authorized to be appropriated to the Railroad Retirement Account for each fiscal year, beginning with the fiscal year ending June 30, 1975, such amount as the Board determines to be necessary to meet (A) the additional costs, resulting from the crediting of military service under this Act, of benefits payable under section 2 of this Act, but only to the extent that such Account is not reimbursed for such costs under section 7(c)(2), (B) the additional administrative expenses resulting from the crediting of military service under this Act, and (C) any loss in interest to such Account resulting from the payment of additional benefits based on military service credited under this Act: *Provided, however,* That, in determining the amount to be appropriated to the

Railroad Retirement Account for any fiscal year pursuant to the provisions of this subsection, there shall not be considered any costs resulting from the crediting of military service under this Act for which appropriations to such Account have already been made pursuant to section 4(1) of the Railroad Retirement Act of 1937. Any determination as to loss in interest to the Railroad Retirement Account pursuant to clause (C) of the first sentence of this subsection shall take into account interest from the date each annuity based, in part, on military service began to accrue or was increased to the date or dates on which the amount appropriated is credited to the Account. The cost resulting from the payment of additional benefits under this Act based on military service determined pursuant to the preceding provisions of this subsection shall be adjusted by applying thereto the ratio of the total net level cost of all benefits under this Act to the portion of such net level cost remaining after the exclusion of administrative expenses and interest charges on the unfunded accrued liability as determined under the last completed actuarial valuation pursuant to the provisions of subsection (g) of this section. At the close of the fiscal year ending June 30, 1975, and each fiscal year thereafter, the Board shall, as promptly as practicable, determine the amount to be appropriated to the Account pursuant to the provisions of this subsection, and shall certify such amount to the Secretary of the Treasury for transfer from the general fund in the Treasury to the Railroad Retirement Account. When authorized by an appropriation Act, the Secretary of the Treasury shall transfer to the Railroad Retirement Account from the general fund in the Treasury such amounts as, from time to time, may be determined by the Board pursuant to the provisions of this subsection and certified by the Board for transfer to such Account. In any determination made pursuant to section 7(c)(2) of this Act, no further charges shall be made against the Trust Funds established by title II of the Social Security Act for military service rendered before January 1, 1957, and with respect to which appropriations authorized by clause (2) of the first sentence of section 4(1) of the Railroad Retirement Act of 1937 shall have been credited to the Railroad Retirement Account, but the additional benefit payments incurred by such Trust Funds by reason, of such military service shall be taken in account in making any such determination.

(c) The Railroad Retirement Supplemental Account established by section 15(b) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby [authorized to be] appropriated to such account for each fiscal year, beginning with the fiscal year ending June 30, 1975, *out of any moneys in the Treasury not otherwise appropriated*, to provide for the payment of supplemental annuities under section 2(b) of this Act, and to provide for the expenses necessary for the Board in the administration of the payment of such supplemental annuities, an amount equal to such portions of the amounts covered into the Treasury (minus refunds) during each fiscal year under sections 3211(b), 3221(c), and 3221(d) of the Railroad Retirement Tax Act as are not appropriated to the Railroad Retirement Account pursuant to the provisions of subsection (a) of this section.

(d) There is hereby authorized to be appropriated to the Railroad Retirement Account for each fiscal year, beginning with the fiscal year ending June 30, 1976, such sums as the Board determines to be necessary on a level basis to pay before the end of fiscal year 2000 the total of (A) the amounts of the annuities paid and to be paid after 1974 pursuant to the provisions of sections 3(h), 4(e), and 4(h) of this Act and pursuant to the provisions of sections 204(a)(3), 204(a)(4), 206(3), and 207(3) of title II of this Act, plus (B) any loss in interest to such Account resulting from the payment of such amounts reduced by (C) such amount as the Board determines, on an estimated basis, is equal to the excess of (i) the interest which such account will actually earn in the fiscal years 1976 through 2000 over (ii) the interest which such account would have earned in such fiscal years if the provisions of subsection (e) of this section were identical to the provisions of section 15(c) of the Railroad Retirement Act of 1937. The Board shall, at the time of each actuarial valuation made prior to the fiscal year 2000 pursuant to the provisions of subsection (g) of this section re-evaluate the amount determined under the preceding sentence for the purpose of determining the amounts to be appropriated thereunder.

(e) At the request and direction of the Board, it shall be the duty of the Secretary of the Treasury (hereinafter referred to as the "Secretary") to invest such portion of the amounts credited to the Railroad Retirement Account and the Railroad Retirement Supplemental Account as, in the judgement of the Board, is not immediately required for the payment of annuities, supplemental annuities, and death benefits. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (A) on original issue at the issue price; or (B) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the accounts. Such obligations issued for purchase by the accounts shall have maturities fixed with due regard for the needs of the accounts, and shall bear interest at a rate equal to the average market yield, computed as of the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing notes of the United States then forming a part of the public debt that are not due or callable until after the expiration of three years from the end of such calendar month, except that where such rate is not a multiple of one-eighth of 1 per centum, the rate of interest on such obligations shall be the multiple of one-eighth of 1 per centum nearest such rate: *Provided*, That the rate of interest on such obligations shall in no case be less than 3 per centum per annum. At the request of the Board the Secretary shall purchase other interest-bearing obligations of the United States, or obligations guaranteed as to both principal and interest by the United States, or other obligations which are lawful investments for trust funds of the United States, on original issue or at the market price: *Provided*, That the interest yield of such obliga-

tions shall not be less than the interest rate determined in accordance with the preceding sentence. At the request of the Board, the Secretary shall sell at the market price such obligations in the accounts (other than special obligations issued exclusively to the accounts) as the Board designates. The Board shall from time to time request the Secretary to redeem such special obligations issued exclusively to the accounts as the Board designates and upon such request the Secretary shall redeem such obligations at par plus accrued interest. All requests of the Board to the Secretary, provided for in this subsection, shall be mandatory upon the Secretary. It shall be the duty of the Board to determine at all times what proportion of the accounts shall be invested in other than special obligations issued to the accounts and further to determine which of such obligations available to the accounts consistent with the foregoing requirements will provide the greatest rate of return on the funds invested.

(f) The Board is hereby authorized and directed to select two actuaries, one from recommendations made by representatives of employees and the other from recommendations made by representatives of employers as defined in paragraph (i) of section 1(a)(1) of this Act. These actuaries, along with a third who shall be designated by the Secretary of the Treasury, shall be known as the Actuarial Advisory Committee with respect to the Railroad Retirement Account. The actuaries so selected shall hold membership in the American Academy of Actuaries and shall be qualified in the evaluation of pension plans: *Provided, however,* That these requirements shall not apply to any actuary who served as a member of the Committee prior to January 1, 1975. The Committee shall examine the actuarial reports and estimates made by the Board and shall have authority to recommend to the Board such changes in actuarial methods as they may deem necessary. The compensation of the members of the Committee, exclusive of the member designated by the Secretary, shall be fixed by the Board on a per diem basis.

(g) The Board shall include in its annual report a statement of the status and the operations of the Railroad Retirement and Railroad Retirement Supplemental Accounts. At intervals not longer than three years the Board shall make an estimate of the liabilities created by this Act and shall include such estimate in its annual report.

(h) *There are hereby authorized to be appropriated from time to time such sums as may be necessary to provide for the expenses of the Board in administering the provisions of this Act.*

SECTION 204 OF PUBLIC LAW 93-445

AN ACT To amend the Railroad Retirement Act of 1937 to revise the retirement system for employees of employers covered thereunder, and for other purposes

* * * * *

SEC. 204. (a) Every individual who was entitled to an annuity under section 2(a)1, 2(a)2, 2(a)3, 2(a)4, or 2(a)5 of the Railroad Retirement Act of 1937 for the month of December 1974, or who would have been entitled to such an annuity for such month except for the provisions of section 2(d) of such Act, and who would have been entitled to such an annuity for the month of January 1975, if

this Act had not been enacted, shall be entitled to an annuity under paragraph (i), (ii), (iii), (iv), or (v), respectively, of section 2(a) (1) of the Railroad Retirement Act of 1974, beginning January 1, 1975: *Provided, however,* That if an individual who was entitled to an annuity under section 2(a)4 or 2(a)5 of the Railroad Retirement Act of 1974 is age 65 or older, on January 1, 1975, such individual shall be entitled to an annuity under paragraph (i) of section 2(a) (1) of the Railroad Retirement Act of 1974. For purposes of this subsection—

(1) that portion of the individual's annuity as is provided under section 3(a) of the Railroad Retirement Act of 1974 shall initially be in an amount equal to the amount determined under clause (i) of section 3(a)(6) of the Railroad Retirement Act of 1937 for the purpose of computing the last increase in the amount of such individual's annuity as computed under the provisions of section 3(a), and that part of section 3(e) which preceded the first proviso, of the Railroad Retirement Act of 1937, less the amount of any monthly insurance benefit to which such individual is actually entitled (before any deductions on account of work) under the Social Security Act;

(2) that portion of the individual's annuity as is provided under section 3(b)(1) of the Railroad Retirement Act of 1974 shall be in an amount, if any, equal to the amount by which (A) his annuity under section 2(a) of the Railroad Retirement Act of 1937 for the month of December 1974 (before any reduction on account of age and without regard to section 2(d) of such Act) exceeds (B) (i), if such individual is entitled to an annuity amount provided under paragraph (3) of this subsection, the amount of the annuity which would have been provided such individual under paragraph (1) of this subsection (before any reduction due to such individual's entitlement to a monthly insurance benefit under the Social Security Act) for the month of January 1975 if he had no wages or self-employment income under the Social Security Act other than wages derived from service as an employee under the Railroad Retirement Act of 1974 after December 31, 1936, and before January 1, 1975, or (ii), if such individual is not entitled to an annuity amount provided under paragraph (3) of this subsection, the amount of his annuity provided under paragraph (1) of this subsection (before any reduction due to such individual's entitlement to a monthly insurance benefit under the Social Security Act) for the month of January 1975: *Provided, however,* That if the annuity of any individual under the Railroad Retirement Act of 1937 for the month of December 1974 was computed under the first proviso of section 3(e) of such Act, the annuity of such individual for purposes of clause (A) of this paragraph shall be the annuity which such individual would have received under such Act for the month of December 1974, if no other person had been included in the computation of the annuity of such individual; and

(3) if the individual was entitled to an old-age insurance benefit or a disability insurance benefit under the Social Security Act on December 31, 1974, or was fully insured under that Act on that date, the annuity amounts provided under paragraphs (1)

and (2) of this subsection shall be increased by an amount determined under the provisions of section 3(b)(1) of the Railroad Retirement Act of 1974: *Provided, however*, That if the individual was entitled to an old-age insurance benefit or a disability insurance benefit under the Social Security Act on December 31, 1974, such amount shall not be less nor more than an amount which would cause the total of the annuity amounts provided the individual by the provisions of this subsection for the month of January 1975 to equal the total of the annuity under the Railroad Retirement Act of 1937 (prior to any reduction on account of age and without regard to section 2(d) of that Act) plus the old-age or disability insurance benefit under the Social Security Act (before any reduction on account of age and deductions on account of work, which such individual would have received for such month if this Act had not been enacted.

(4) if the individual was entitled to a wife's, husband's, widow's or widower's insurance benefit under the Social Security Act on December 31, 1974, or is the wife, husband, widow, or widower of a person who was fully insured under that Act on that date, the annuity amounts provided under paragraphs (1) and (2) of this subsection shall be increased by an amount determined under the provisions of section 3(h)(3) of the Railroad Retirement Act of 1974.

(b) An individual who was awarded an annuity under section 2(a) of the Railroad Retirement Act of 1937, but who could not have become eligible for an annuity under paragraph 2 of such section, shall not be eligible for an annuity under paragraph (ii) of section 2(a)(1) of the Railroad Retirement Act of 1974.

(c) *An individual who was awarded an annuity under section 2(a) of the Railroad Retirement Act of 1937 shall not be entitled to an annuity amount computed under the provisions of section 3(c) of the Railroad Retirement Act of 1974: Provided, however, That the provisions of this subsection shall not be applicable (i) to an individual who will have rendered at least twelve months of service as an employee to an employer (as defined in the Railroad Retirement Act of 1974) after December 31, 1974, or (ii) to an individual who was awarded an annuity under section 2(a)4 or 2(a)5 of the Railroad Retirement Act of 1937 and who recovered from disability and returned to the service of an employer (as defined in the Railroad Retirement Act of 1974) after December 31, 1974.*

INTERNAL REVENUE CODE OF 1954

* * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

* * * * *

SEC. 1402. DEFINITIONS.

(a) * * *

* * * * *

(b) **SELF-EMPLOYMENT INCOME.**—The term “self-employment income” means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year; except that such term shall not include—

(1) that part of the net earnings from self-employment which is in excess of—

(A) for any taxable year ending prior to 1955, (i) \$3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(B) for any taxable year ending after 1954 and before 1959, (i) \$4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(C) for any taxable year ending after 1958 and before 1966, (i) \$4,800, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(D) for any taxable year ending after 1965 and before 1968, (i) \$6,600, minus (ii) the amount of wages paid to such individual during the taxable year; and

(E) for any taxable year ending after 1967 and beginning before 1972, (i) \$7,800, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(F) for any taxable year beginning after 1971 and before 1973, (i) \$9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(G) for any taxable year beginning after 1972 and before 1974, (i) \$10,800, minus (ii) the amount of wages paid to such individual during the taxable year; and

(H) for any taxable year beginning after 1973 and before 1975, (i) \$13,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

(I) for any taxable year beginning in any calendar year after 1974, (i) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act*) which is effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or

(2) the net earnings from self-employment, if such net earnings for the taxable year are less than \$400.

For purposes of clause (1), the term “wages” (A) includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees), or under an agreement entered into pursuant to the provisions of section 3121 (1) (relating to coverage of citizens of the United States who are employees of foreign subsidiaries of domestic corporations), as would be wages under section 3121(a) if such service constituted employment under section 3121(b), and (B) includes [, but solely with respect to the tax imposed by section 1401(b).] compensation which is subject to the tax imposed by section 3201 or 3211. An individual who is not a citizen of the United States but who is a resident of the

Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for purposes of this chapter be considered to be a nonresident alien individual.

* * * * *

CHAPTER 22—RAILROAD RETIREMENT TAX ACT

* * * * *

Subchapter D—General Provisions

* * * * *

SEC. 3231. DEFINITIONS.

(a) * * *

* * * * *

(e) COMPENSATION.—For purposes of this chapter—

(1) The term "compensation" means any form of money remuneration earned by an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (3)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of the tax imposed on such employee by section 3201. Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a non-immigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be. Compensation which is earned during the period for which the Secretary or his delegate shall require a return of taxes under this chapter to be made and which is payable during the calendar month following such period shall be deemed to have been paid during such period only. For the purpose of determining the amount of taxes under sections 3201 and 3221, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than ~~[\$3]~~ \$25. Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.

(2) A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual

as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost.

(3) Solely for purposes of the tax imposed by section 3201 and other provisions of this chapter insofar as they relate to such tax, the term "compensation" also includes cash tips received by an employer unless the amount of such cash tips is less than \$20.

* * * * *



Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To amend the Railroad Unemployment Insurance Act to increase unemployment and sickness benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—RAILROAD UNEMPLOYMENT INSURANCE ACT AMENDMENTS

SECTION 1. (a) Section 1(h) of the Railroad Unemployment Insurance Act is amended—

(1) by inserting “for a ‘period of continuing sickness’ (as defined in section 2(a) of this Act)” immediately after the words “a statement of sickness” each time those words appear in the second paragraph thereof; and

(2) by striking out from the second paragraph “and ends with the thirteenth day thereafter” and inserting in lieu thereof “and ends with whichever is the earlier of (i) the thirteenth day thereafter, or (ii) the day immediately preceding the day with respect to which a statement of sickness for a new ‘period of continuing sickness’ (as defined in section 2(a) of this Act) is filed in his behalf”.

(b) Section 1(k) of such Act is amended by striking out “\$3” from the second sentence and inserting in lieu thereof “\$10”.

(c) Section 2(a) of such Act is amended—

(1) by striking out the first paragraph and inserting in lieu thereof the following:

“(a) Benefits shall be payable to any qualified employee for each day of unemployment in excess of four during any registration period: *Provided, however,* That notwithstanding the provisions of section 1(h) of this Act, in any case in which the Board finds that his unemployment was due to a stoppage of work because of a strike in the establishment, premises, or enterprise at which he was last employed, other than a strike subject to the disqualification in section 4(a-2)(iii), none of the first seven days of unemployment due to such stoppage of work shall be included in any registration period; and subject to the registration provisions of section 1(h), so many of the ensuing seven consecutive calendar days during which his unemployment continues to be caused by such stoppage of work shall constitute a registration period, during which benefits shall be payable for each day of unemployment. Benefits shall be payable to any qualified employee for each day of sickness after the fourth consecutive day of sickness in a period of continuing sickness, but excluding four days of sickness in any registration period. A period of continuing sickness means (i) a period of consecutive days of sickness, whether from one or more causes, or (ii) a period of successive days of sickness due to a single cause without interruption of more than ninety consecutive days which are not days of sickness.”; and

(2) by striking out the second paragraph and inserting in lieu thereof the following:

“The daily benefit rate with respect to any such employee for such day of unemployment or sickness shall be in an amount equal to 60 per centum of the daily rate of compensation for the employee’s last employment in which he engaged for an employer in the base year, but not less than \$12.70: *Provided, however,* That for registration periods beginning after June 30, 1975, but before July 1, 1976, such amount shall not exceed \$24 per day of such unemployment or sickness and that for registration periods beginning after June 30, 1976, such amount shall not exceed \$25 per day of such unemployment or sickness. The daily rate of compensation referred to in this paragraph shall be determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.”

(d) Section 2(c) of such Act is amended—

(1) by inserting “except that notwithstanding the provisions of section 1(i) of this Act, in determining the employee’s compensation in the base year for purposes of this proviso and the second proviso of this subsection, any money remuneration paid to the employee for services rendered as an employee not in excess of \$775 in any month shall be taken into account” immediately before the colon at the end of the first proviso; and

(2) by inserting immediately after the colon at the end of the first proviso the following: “*Provided further,* That, with respect to an employee who has less than ten years of service as defined in section 1(f) of the Railroad Retirement Act of 1974, who did not voluntarily retire and did not voluntarily leave work without good cause, and who had current rights to normal benefits for days of unemployment in a benefit year but has exhausted such rights, the maximum number of days of, and amount of payment for, unemployment within such benefit year (as extended by the provisions of subsection (h) of this section) for which benefits may be paid shall be enlarged, but not by more than sixty-five days, to include all compensable days of unemployment within an extended benefit period determined pursuant to the provisions of subsection (h) of this section, but the total amount of benefits which may be paid to an employee for days of unemployment within such extended benefit period shall in no case exceed 50 per centum of the employee’s compensation in the base year.”

(e) Section 2 of such Act is further amended by adding at the end thereof the following new subsection:

“(h) (1) For purposes of the second proviso of subsection (c) of this section, an extended benefit period, with respect to an employee, shall begin on the first day of unemployment within a period of high unemployment following the day on which the employee exhausted his then current rights to normal benefits for unemployment and shall continue for seven successive fourteen-day periods (each of which periods shall constitute a registration period). If the general benefit year in which an employee’s extended benefit period began ends within such extended benefit period, such benefit year shall, in the case of such employee, be deemed not to be ended until the last day of the extended benefit period. If an employee unemployed within a period of high unemployment is not a ‘qualified employee’ for the general benefit year then current but was a ‘qualified employee’ for the preceding general benefit year, such preceding general benefit year shall, for purposes of the second proviso of subsection (c) of this section, in the case of such employee, be deemed not to be ended until the last day of such

employee's extended benefit period determined pursuant to the provisions of this subsection.

"(2) For purposes of subdivision (1) of this subsection, a 'period of high unemployment' shall begin with the twentieth day after whichever of the following first occurs: (A) there is a national 'on' indicator as defined in section 203(d) of Public Law 91-373, as amended, or (B) a period of three consecutive calendar months in which, for each month included in such period, the rate of railroad unemployment (seasonally adjusted) equalled or exceeded the lowest applicable unemployment rate specified for the national 'on' indicator in section 203(d) of Public Law 91-373, as amended, and shall end with the twentieth day after both of the following occur: (A) there is a national 'off' indicator as defined in section 203(d) of Public Law 91-373, as amended, and (B) a period of three consecutive calendar months, in which, for each month included in such period, the rate of railroad unemployment (seasonally adjusted) was less than the lowest applicable unemployment rate specified for the national 'off' indicator in section 203(d) of Public Law 91-373, as amended.

"(3) For purposes of subdivision (2) of this subsection, the term 'rate of railroad unemployment' for a month means the percentage arrived at by dividing (A) the average weekly number of individuals who filed bona fide claims for benefits for days of unemployment in such month, excluding from such number those individuals whose unemployment was due to a stoppage of work because of a strike, lock-out, or other labor dispute, by (B) the average midmonth count of employees of class I railroads and class I switching and terminal companies, as reported to the Interstate Commerce Commission, adjusted, as determined by the Board, to include all employees covered by this Act for the twelve months ending with the second calendar quarter preceding such month.

"(4) Determinations under this subsection shall be made by the Board in accordance with regulations prescribed by it. When a determination has been made that a 'period of high unemployment' is beginning or ending, the Board shall cause notice of such determination to be published in the Federal Register. The Board shall also cause to be published in the Federal Register the formula which it uses to adjust the mid-month count of employees of class I railroads and class I switching and terminal companies to include all employees covered by this Act, and the formula it uses to make seasonal adjustments in the rate of railroad unemployment."

(f) Section 3 of such Act is amended by striking out "seven" and inserting in lieu thereof "five".

(g) Section 8(a) of such Act is amended by striking out the last five lines in the table contained therein and inserting in lieu thereof the following:

"\$300,000,000 or more.....	0.5
\$200,000,000 or more but less than \$300,000,000.....	4.0
\$100,000,000 or more but less than \$200,000,000.....	5.5
\$50,000,000 or more but less than \$100,000,000.....	7.0
Less than \$50,000,000.....	8.0".

(h) Section 8(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Each employee representative shall pay a contribution with respect to so much of the compensation paid to him for services performed as an employee representative during any month after December 1975 as is not, for any such calendar month, in excess of \$400, at the rate applicable to employers in accordance with subsection (a) of this section."

- (i) Section 10(a) of such Act is amended—
- (1) by striking out “0.25” from clause (i) and inserting in lieu thereof “0.5”; and
 - (2) by striking out “and pursuant to subsection (h) of this section” from clause (ii).
- (j) Section 11(a) of such Act is amended by striking out “0.25” from clause (i) and inserting in lieu thereof “0.5”.
- SEC. 2. (a) The amendment made by section 1(a) of this Act shall be effective with respect to days of sickness in registration periods beginning after June 30, 1975.
- (b) The amendment with respect to qualifying conditions made by section 1(f) shall be effective for services rendered after December 31, 1973.
- (c) The amendments made by sections 1(b), 1(c), and 1(d)(1) of this Act shall be effective with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 1975: *Provided, however,* That the amount of benefits paid for days of unemployment or days of sickness in a registration period beginning after June 30, 1975, and prior to the date of enactment of this Act shall, if paid to an employee who is covered by a nongovernmental plan for unemployment or sickness insurance and who has been paid benefits under such plan for one or more days within the registration period, be reduced by the amount, if any, by which the benefits paid to him under the nongovernmental plan would have been reduced if this Act had been enacted prior to July 1, 1975, so that the employee will receive the full amount of the combined benefits that he would have received under the Railroad Unemployment Insurance Act and the nongovernmental plan if the benefit increases provided by this Act had been enacted prior to said date. The amount of each such reduction in the benefits paid under the amendment made by section 1(c)(2) of this Act shall be paid over by the Board to the insurer of the nongovernmental plan or to the employer if a self-insurer. Reductions in benefits and payments to insurers and employers hereunder shall be made on claims filed with the Board by such insurers and employers within thirty days after the date of enactment of this Act.
- (d) The amendments made by sections 1(d)(2) and 1(e) of this Act shall be effective with respect to days of unemployment in registration periods beginning after June 30, 1975.
- (e) The amendments made by sections 1(g), 1(h), 1(i)(1), and 1(j) of this Act shall be effective with respect to compensation paid for services rendered after December 31, 1975.
- (f) The amendment made by section 1(i)(2) of this Act shall be effective on the date of enactment of this Act.

TITLE II—AMENDMENTS TO THE RAILROAD RETIREMENT ACT OF 1974 AND THE RAILROAD RETIREMENT TAX ACT

SEC. 201. (a) Section 15(a) of the Railroad Retirement Act of 1974 is amended by striking out “authorized to be” in the second sentence thereof.

(b) Section 15(b) of such Act is amended by striking out “authorized to be” the first time it appears therein.

(c) Section 15(c) of such Act is amended by striking out “authorized to be” in the second sentence thereof and by adding immediately after “June 30, 1975,” the words “out of any moneys in the Treasury not otherwise appropriated.”

(d) Section 15 of such Act is further amended by inserting at the end thereof the following new subsection:

“(h) There are hereby authorized to be appropriated from time to time such sums as may be necessary to provide for the expenses of the Board in administering the provisions of this Act.”

(e) The amendments made by this section shall be effective January 1, 1975.

SEC. 202. (a) Section 204 of the Act entitled “An Act to amend the Railroad Retirement Act of 1937 to revise the retirement system for employees of employers covered thereunder, and for other purposes”, approved October 16, 1974 (88 Stat. 1352), is amended by adding at the end thereof the following new subsection:

“(c) An individual who was awarded an annuity under section 2(a) of the Railroad Retirement Act of 1937 shall not be entitled to an annuity amount computed under the provisions of section 3(c) of the Railroad Retirement Act of 1974: *Provided, however,* That the provisions of this subsection shall not be applicable (i) to an individual who will have rendered at least twelve months of service as an employee to an employer (as defined in the Railroad Retirement Act of 1974) after December 31, 1974, or (ii) to an individual who was awarded an annuity under section 2(a)4 or 2(a)5 of the Railroad Retirement Act of 1937 and who recovered from disability and returned to the service of an employer (as defined in the Railroad Retirement Act of 1974) after December 31, 1974.”

(b) The amendment made by this section shall be effective January 1, 1975.

SEC. 203. (a) Section 1402(b) of the Internal Revenue Code of 1954 is amended by striking out “, but solely with respect to the tax imposed by section 1401(b),” from item (B) of the second sentence thereof.

(b) Section 3231(e) of the Internal Revenue Code of 1954 is amended by striking out “\$3” from the fifth sentence of paragraph (1) and inserting in lieu thereof “\$25”.

(c) The amendments made by this section shall be effective January 1, 1975, and shall apply only with respect to compensation paid for services rendered on or after that date.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

August 1, 1975

Dear Mr. Director:

The following bills were received at the White House on August 1st:

- H.R. 2559 ✓
- H.R. 5884 ✓
- H.R. 8564 ✓
- H.R. 8597 ✓
- H.R. 8714 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.